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# Pensions & Investment Age

®



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# Pentagon to share in surpluses

**By Barry B. Burr**

The Department of Defense is mounting a sweeping effort to share in reversions when contractors terminate pension plans.

Agreements from about 312 major contractors are being solicited, but a total of 13,000 contractors could be affected.

Rules adopted by the Defense Department likely also would apply to contracts with all other executive departments of the U.S. government.

Already, Defense Department officials have negotiated a settlement with FMC Corp., Chicago, for a share of its pending reversion of approximately $400 million to $500 million.

The department is trying to reach a settlement with Fairchild Industries Inc., Chantilly, Va., on its $48 million reversion.

During the past year, Defense Department officials have talked to executives at about six other contractors about turning over a share of the surplus assets in terminated plans.

Aside from these negotiations, the Defense Department recently began issuing notices seeking a general "advance agreement" on terminations from its contractors. Contractors are to agree that in the event of a termination of an overfunded plan, they will share the reversion with the department.

At the same time, the Defense Department is seeking an advance agreement from contractors on full-funded limitation status. Under it, the department would cut pension contributions for newly negotiated contracts, and would seek reimbursement from contractors for contributions made to plans after they are fully funded on an ongoing basis.

Also, the Defense Department is examining the effects on its costs of Financial Accounting Standards Board Statement 87, the pension accounting rule for corporations, *in some cases seeking credits for* pension contributions.

Representatives of two contractors — Texas Instruments Inc. and a unit of Allied-Signal Inc. — are objecting to the requirements.

"We think it's grossly unfair," said Gary W. Hill, manager-office of government affairs at Texas Instruments, Dallas.

"They have sent those to us and have asked us to sign them," Mr. Hill said. "We refused. We already informed them we won't sign the agreements.

"Upon termination of a pension plan, the U.S. government has no vested right over the disposal of assets and liabilities," Mr. Hill said. On the funding issue, he said, "They're taking an overly simplistic view of what is the definition of full funding."

He said Texas Instruments isn't planning any termination. Information was unavailable on its status on full-funded limitation.

Mr. Hill, who is also chairman of the procurement committee of the National Security Industrial Association, said the agreements would be discussed at the association's meeting Nov. 12 in Washington. Some 400 defense contractors belong to the association.

Texas Instruments reported that for the third quarter, it reduced pension costs almost $12 million as a result of adopting FASB 87. The drop was a significant reason the giant electronics and defense firm returned to profitability, other TI officials said.

Irene Leary, senior pension analyst at TI, said the adoption of the new accounting rule resulted in calculated pension expenses drastically lower than in previous periods.

According to TI, pension expense was $4 million in the third quarter of 1986, down from $15.9 million in the third quarter of


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## Inside:


CASH MANAGEMENT: Banks could end up charging corporate clients for daylight overdrafts — when one bank makes wire payments for more money than it has received. And that has cash managers fighting mad — page 25.

THE COMMON FUND: After 15 years of good performance, the Common Fund is not resting on its laurels. "There are still a lot of challenges," said its chief executive, George F. Keane, right — page 31.

CORPORATE FINANCE: Mortgage-backed securities could take on a whole new look after the tax law is digested. There's already talk about such securities with stripped coupons and deferred premiums — page 33.

CONSULTANTS DIRECTORY: Pension fund consultants may find their roles changing dramatically in the next few years. Some are seeking to broaden their services, and several observers predict a reshuffling similar to that under way among money managers — page 39.



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# Investors nix partnership plan

## Pension funds vetoed deal because of tax liabilities

**By Brad Rudin**

Institutional investors concerned with tax liabilities for pension funds were the driving force behind Community Psychiatric Centers' failure to reorganize as a master limited partnership.

This should send warning signals to corporations contemplating similar moves, Wall Street experts said.

While the change to a master limited partnership provides a boon to a company because it eliminates corporate-level taxation, the conversion worries tax-exempt institutions because dividend payments to them are taxable as unrelated business income.

Faced with the prospect of paying federal income taxes, many tax-exempt institutional investors said, "Oh my gosh, we're going to pay taxes, that's not what we're in business for," said Ned Oelsner, a managing director at Dean Witter Reynolds Inc., which served as CPC's adviser.

On reflection, however, institutional investors may say, "Net net the value and even the cash we are getting is more after we pay tax than what we had before," Mr. Oelsner said.

But interviews with pension fund executives and others prove tax-exempt institutions don't view master limited partnerships as attractive investments.

"What's supposed to be good isn't that good," said Robert N. Gordon, president of Twenty-First Securities Corp., New York.

J.P. Morgan & Co., which owned 10% of CPC's shares as of June 30, reportedly threw its weight against the corporation's plan to reorganize as a master limited partnership.

A Morgan spokesman declined to comment specifically on this point, but observed: "As institutional investors, we do make our views known to companies we invest in on occasion, always in the framework of the benefit for whom we are investors."

Other institutional investors include INVESCO Capital Management Inc., Atlanta and Sears Asset Management, Chicago.

Community Psychiatric Centers, a Santa Ana, Calif.-based operator of psychiatric hospitals and dialysis centers, announced the reorganization plan Oct. 8. The corporation, citing opposition from tax-exempt investors, withdrew the plan Oct. 29.

Stockholders were offered one unit in the partnership for each share of CPC stock. Each unit would have been sold for a maximum price of $32.375, the same as


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# *New Senate may look at reversions issue*

**By Joel Chernoff**

WASHINGTON — The Democrats' capture of control of the Senate may lead Congress to rein in employers' ability to take out surplus assets from their overfunded pension plans.

"I would think we're going to see legislation that will seriously put the screws on that," said Stuart Brahs, executive director of the Association of Private Pension and Welfare Plans, a Washington-based trade group.

"We will certainly have our work cut out for us," said Vicki Caldeira, assistant director for employee benefits at the National Association of Manufacturers, Washington.

In the election, Democrats gained eight Senate seats to take a 55 to 45 majority. A Democrat-dominated Congress may mean yet-harsher burdens for employers, who have been pummeled in numerous tax and pension bills in recent years.

"I don't think (the election is) good news but one should not


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*Sen. Howard Metzenbaum, D-Ohio, who led the attack on corporations terminating overfunded plans, could have more influence this coming session.*

# 2 RCA execs leave; GE staff to manage fund

By Marlene Givant

NEW YORK — Two RCA Corp. financial executives have resigned, and the $3.5 billion pension fund will be internally managed by the investment staff of General Electric Co., Fairfield, Conn., RCA's new owner.

Brian J. Heidtke, formerly vice president and treasurer, and Pam McCann, formerly staff vice president and assistant treasurer — have resigned from New York-based RCA.

Mr. Heidtke has joined Colgate-Palmolive Co., New York, as vice president and treasurer, succeeding Thomas J. Volpe, who joined The Interpublic Group of Companies, New York, earlier this year.

He had been with RCA for 10 years, serving as vice president and treasurer for one.

Ms. McCann, who was in charge of the pension fund and investor relations at RCA for three years, plans to join Syrus Associates, a New York-based firm providing marketing consulting to money managers, in early January.

Now that the two have left, "we're bringing (the pension fund) in-house," said Dennis D. Dammerman, GE's chief financial officer and senior vice president-finance.

The internal team headed by Dale F. Frey, vice president-investments, will manage $26 billion in RCA and GE pension assets, Mr. Dammerman said.

Many RCA executives have departed since the acquisition in June because their duties overlapped with those of GE executives. Neither Mr. Heidtke nor Ms. McCann is expected to be replaced.

John A. Rolls, RCA's former chief financial officer and senior vice president-finance, left in July to become executive vice president and chief financial officer of United Technologies Corp., Hartford, Conn.

"With all the changes going on I don't think my leaving was any great surprise to RCA," said Ms. McCann.

She believes her new position will round out her experience in the field.

"I had a strong feeling that going to Syrus gives me an opportunity to do kind of a third leg of the stool — to broaden my own background within the industry," she said. Ms. McCann will be a partner in the 11-year-old firm.

Prior to joining RCA, she was director of pension investments at NL Industries Inc., a New York-based chemical, metals and oil and gas company.

Previously, she spent two years as a selection consultant for the consulting group of Chemical Bank, New York.

"(The Syrus position) is much more on the sell side than I've ever been. I think I'm going to enjoy it," she added.

Jettie Edwards, formerly an investment management consultant with Buck Pension Fund Services, New York, also will join the Syrus team.

In another corporate move, David Prince, manager of trust assets for BellSouth Corp., Atlanta, has joined The Southern Co., Atlanta, as assistant treasurer and manager of short-term finance and investment fund analysis.

Mr. Prince, was manager of trust assets at BellSouth for 1½ years.

Among his new responsibilities will be management of the $1.6 billion pension trust and $500 million savings plan.

Mr. Prince said he changed companies because it was a step up.

"I was not in any way dissatisfied (at BellSouth). This was just an opportunity that just came along . . . This is a promotion for me," he said.

He has not yet been replaced. ■

# NYC continuing revamp

## 17 hired to handle $8 billion fixed-income sector

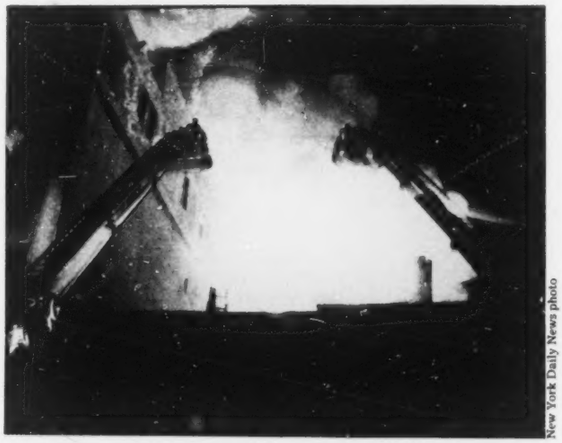
By John Covaleski

NEW YORK — New York City pension officials are nearly finished restructuring the fund's $17.1 billion fixed-income portfolios, hiring 17 managers for $8.21 billion.

New managers for the New York City Fire Department Pension Fund and New York City Employees' Retirement System funds were given specific market sectors in which to invest, tight controls over weightings within the sectors and incentive fees for performance that betters the baseline performance of their specific sectors.

All but $400 million of the $17.1 billion slated for fixed-income restructuring has been redistributed since summer. The remainder is in the New York City Board of Education Pension Fund, and is expected to be redistributed within a month.

The major victim of the restructuring was Citicorp Investment Management Inc., New York, which managed $10.2 billion for the city funds in June and lost all but $290 million it manages for the board of education fund.



New York Daily News photo

City officials rejected Citicorp's bids to manage assets for the firefighters' and employees' funds.

Marvin Damsma, third deputy controller for the city, said Citicorp performed well, but "didn't match the bid presentations" of the other candidates."

He declined to comment on speculation that Citicorp's ouster was connected to its investments in South Africa.

He noted Citicorp achieved a compound annual return of 19.2% for the city funds for the five years ended Dec. 31, com-

*Continued on page 101*

# SEI, other universes disagree on median

By Fred Williams

Median equity returns from SEI Funds Evaluation Services are at odds — by as much as 400 basis points — with the median returns from other monitoring companies, apparently because the SEI numbers exclude cash and are based on only a fraction of the SEI universe.

Generally, SEI's returns are higher than those of other performance universes in rising markets — when a portfolio without cash would do best — and lower than others in down markets — when a portfolio with cash would do best.

In 1985, for example, the median SEI portfolio returned 32.9%, well above the 29.6% average for five other major equity indexes. The medians for other indexes for the year ended Dec. 31 were: CDA Investment Technologies Inc., 28.5%; Pensions & Investments' Performance Evaluation Report, 29.1%; Trust Universe Comparison Service, 31.4%; Frank Russell Co., 29.3%; and INDATA, a service of Gordon, Haskett & Co., 29.5%.

The median SEI portfolio would have placed in the upper quartile of several of the other indexes for the year. The upper quartile cutoff for the CDA universe was 31.8%; PIPER, 32.5%; Frank Russell, 32.2%; and INDATA, 32.5%.

For the first nine months of 1986, the SEI median portfolio has been up 12.8%, vs. 10.2% for CDA; 11.9% for PIPER; 12.4% for TUCS; 11.9% for Russell; and 11.6% for INDATA.

In the third quarter, when cash fared better than stocks, the SEI median was down-8.1%, compared with an average decline of 7.07% for the median portfolio of the other five indexes examined.

Keith McDowell, SEI vice president of marketing services, said SEI's exclusion of cash could account for the differences.

"I don't have any easy answers," Mr. McDowell said. "Most of the others don't have equity-only and have some cash built in there. It is my strong suspicion that there is cash in their funds."

Cash is included in PIPER's, Russell's and INDATA's numbers, and minimally (less than 5%) in CDA's. TUCS' numbers exclude cash.

In addition to segregating cash, SEI's median likely is skewed because it is based on statistics from only 300 portfolios of a 2,500-portfolio universe. Industry observers also say the 300 used are the first 300 to report their re-

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# *Northern's RCB buy scotched over price*

By Trudy Ring

Disagreement over price may have been what scotched the proposed sale of Rogers, Casey & Barksdale Inc., Stamford, Conn., to Northern Trust Corp., Chicago, industry sources said.

Opposition by RCB's clients may have been another factor, sources said, although some clients disputed that. Publicity about the deal also may have contributed to its demise.

Northern Trust officials issued a terse statement Oct. 29 saying discussions concerning the possible acquisition had been discontinued. "The termination was amicable, and the parties will continue their other business relationships as in the past," the statement said.

Northern Trust officials declined to elaborate on the statement, while RCB officials did not respond to requests for comment.

But some consultants, money managers and pension fund executives said price may have been the key sticking point. In general, the sources asked not to be named, and no price was given.

"I heard the price was pretty steep," one consultant said. "RCB really wanted a lot of money."

"What they were expecting dollar wise was significant," another consultant said.

Other sources added the acquisition talks seemed to be moving along smoothly and that price appeared to be the only factor that could have caused the deal to fall apart.

In general, a consulting firm's annual revenue is considered a fair sale price, one source said. This may be adjusted, however, to reflect the firm's cash flow and expected profitability.

But a source said RCB could be considered part investment management firm because it acts as a "manager of managers" for some clients. Purchase prices for investment management firms are

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## Opinion

# Divestiture to get needed test

THE QUESTION OF WHETHER divestiture of the stocks of companies doing business in South Africa from pension funds breaches a trustee's fiduciary duty is apparently to receive a court test.

The trustees of the Baltimore Employees' Retirement System will file a test case in Baltimore Circuit Court testing a city ordinance that requires divestiture of South Africa-related securities because they believe the ordinance conflicts with their fiduciary duties.

Baltimore's Board of Estimates, which could have blocked the suit, is to be commended for allowing it to proceed. The matter needs an airing in court and should have been tested in court when the divestiture movement first gathered speed.

Unfortunately, until now no trustees have felt compelled to test the matter, although trustees in California were concerned enough about the legality of divestiture to seek indemnification from the Legislature to protect themselves.

And beneficiaries and taxpayers, who might ultimately bear any additional costs of divestiture, have largely been unaware of their exposure.

We hope the court will settle two questions:

- Whether trustees can use the assets of a pension fund to achieve some end unconnected with the welfare of the beneficiaries for whom they are overseeing the trust, even if it may inflict some costs on those beneficiaries in the long run.

If the court rules in the affirmative, it should give guidance as to what ends are of sufficient import to allow actions such as divestiture.

- Whether the federal legislation applying sanctions on South Africa pre-empts state and local actions requiring divestiture.

Some legal authorities have argued the divestiture movement pushes state and local governments into foreign affairs, a province of the federal government.

These issues need to be settled, and a court ruling can settle them.

# Sherwin-Williams decision sensible

THE DEPARTMENT OF LABOR has approved a corporation's request for a loan from its overfunded pension fund, even though such loans are prohibited transactions.

It allowed Sherwin-Williams Co. to borrow up to $65 million from its plans.

The decision to grant an exemption to the prohibited transactions rules is a sensible one because it offers an alternative to corporations that wish to gain access to surplus pension assets but that are reluctant to terminate the pension plan.

Normally, loans to pension sponsors from their funds are to be opposed because they may weaken the security of the pension benefits. If the pension sponsor should fail, a significant part of the assets backing the pension benefits might be worthless. This was the reason the prohibited transactions section was written into the Employee Retirement Income Security Act.

The problem does not apply in the Sherwin-Williams case, however, because the Sherwin-Williams plan is overfunded and because the Labor Department imposed strict conditions on the loan.

First, the loan must be secured by unencumbered collateral. Second, an independent fiduciary will oversee the loan. Third, a market rate of interest must be paid for the loan.

As a result of the Labor Department decision, Sherwin-Williams has apparently decided not to terminate its pension plans to recapture the surplus assets.

But for the department's pragmatism, and Sherwin-Williams' management's willingness to settle for less than the entire pension surplus, another large pension plan would have been terminated, with a consequent weakening of the private defined benefit pension system.

## Letters to the editor

### Info not withheld

To the Editor: Both the headline and body of your article "PBGC holds back on data" (*Pensions & Investment Age*, Sept. 29, p. 64) leave the reader with the impression that the Pension Benefit Guaranty Corp. withholds information under the Freedom of Information Act to a much larger degree than other government agencies. When the facts are examined, they show the opposite.

I refer you to Access Reports Freedom of Information, (Vol. 12, No. 18, Sept. 10, 1986, p. 4) which compares 1985 FOIA annual reports from more than 75 agencies.

The PBGC received more than 1,000 FOIA requests during 1985 and had only TWO APPEALS. This in itself shows that requesters have a high degree of acceptance of our FOIA determinations. Moreover, PBGC's "percentage of requests denied" is only 7.4%. Only eight of the agencies listed had a lower percentage of requests denied.

The conclusion that PBGC as a practice withholds data under FOIA is unfounded.

Having only two appeals of its decisions shows the PBGC is making correct determinations under FOIA. Appeals are rarely needed because the requested records are being disclosed up-front. In the relatively few cases in which requests are denied, there is no need to appeal, because the determinations are accurate and sound.

**Judith E. Beckelman**
Director
PBGC Communications
& Public Affairs Department
Washington

*Editor's note: The article was misleading.*

### 401(k) boom on

To the Editor: Regarding the *Pensions & Investment Age*, Sept. 29 story: "Bill to reshape benefits — Defined contribution plans will change, but won't die," the congressional passage of the tax reform bill has driven interest in 401(k) plans to a fevered pitch. This seems to be quite contrary to the points made in your recent article.

Our client and prospect activity has never been greater for 401(k) plans. It seems that employers are responding to employee demand that a 401(k) plan be implemented so that they may save on the most favorable basis for retirement.

Employed Americans want to replace their IRAs and defer taxes . . . 401(k) is their employer-sponsored alternative. The tax bill may want to break Americans of their habit of deferring taxes, but I am sure that old habits are hard to break.

**Joseph J. Masterson**
The Mutual Insurance Co.
of New York
Purchase, N.Y.

### Profile corrected

To the Editor: The First National Bank of Boston would like to correct a mistake made on a figure sent to *Pensions & Investment Age*, which was published in the September 1986 real estate directory.

As of June 30, 1986, the book value, in equity, should be changed from $168.9 million to $131.9 million, resulting in a total book value of $181.8 million, with a total present market value of $201.6 million.

**Kathryn J. Kelterer**
Real estate marketing assistant
Bank of Boston
Boston

### Funding data flawed

To the Editor: Your article on the funding levels of state retirement systems ("Plans find ways to bolster funding") in the Oct. 13 issue provided an interesting and useful overview of the funding of state retirement systems.

The article used the funding ratio, or ratio of assets to accrued liabilities, as the measure of funding level. The funded ratio is just one very rough measure of the financial status of a retirement system. Focusing on the funded ratio by itself can lead to misleading conclusions. The article states that the funding ratios have increased because of diminishing unfunded liabilities.

Actually, it is possible for the funding ratio to increase from one year to another, even though the dollar amount of unfunded liability may have increased during the same period.

For example, according to a recent study of the financial condition of public retirement systems in Illinois, the aggregate funding ratio for all the public retirement systems in the state increased from 53.2% to 56.3% during the most recent year, even though the aggregate unfunded liability increased by approximately $30 million.

Thus, in order to provide a more complete picture of funding progress, it would have been useful to show the change in the unfunded liability during the most recent year, in addition to the funding ratio.

The article did not indicate what actuarial cost methods were used in determining accrued liabilities for the various retirement systems. Because of possible differences in actuarial cost methods among the retirement systems, the funding ratios shown for the various systems may not be directly comparable.

Under a statement that will be released very shortly by the Governmental Accounting Standards Board, public retirement systems will be required to report their liabilities, using a standardized actuarial cost method, known as the projected unit credit cost method. I would therefore suggest that in future surveys of this type, the liabilities of the various systems be reported using the projected unit credit cost method in order to provide comparable information.

**Sandor Goldstein**
Consulting actuary
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**PIPER**

*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

# Few funds top S&P 500 return

By Brian Lehrer

A host of different strategies produced impressive results for selected bank and insurance company equity funds in Pensions and Investments' Performance Evaluation Report for periods ended Sept. 30.

Although some funds posted sterling returns, fewer than one-third managed to outperform the Standard & Poor's 500 stock index in any time period except the quarter.

The median PIPER fund returned −7.3% in the third quarter, compared with −7% for the index. For the 12 months ended Sept. 30, the median fund returned 29.1%, while the index returned 31.8%.

For the three years ended Sept. 30, the median fund had a compound annual return of 14.3%, and the index, 16.5%. Annualized return figures for the latest five years were 18.8% for the median fund and 20.2% for the index; for the 10-year period they were 13% for the median fund and 13.6% for the index.

First Interstate Bank of Nevada, Reno, was the quarter's champion, with a return of 4.2%.

Robert Lee, vice president, said he uses an "aggressive" market-timing approach for the $15 million fund.

"We recognize cyclical bear markets and anticipate these circumstances to raise cash in our portfolio to avoid losses," he said.

The portfolio now is 100% in cash, primarily in U.S. Treasury bills. At the outset of the quarter, 20% was concentrated in gold and electric utility stocks, which was liquidated as the market fell.

"It will be several months before we are buyers," Mr. Lee predicted.

First Interstate fell below the S&P 500 over the five-year period, with a return of 13.7%, the three-year period, 23.5%, and the one-year period, with a return of 26%. Over the 10-year period its return was 16.2%, above the S&P 500.

Bank of the West, San Jose, Calif., was one of the top performers in the PIPER survey. Its equity fund was among the top three for the three-year period, with 23.5%, and the one-year period, with 45.7%.

It ranked in the top 10% for the quarter — with a −0.4% return — and the five-year period — with a 23.7% annua-

*Continued on page 72*

## *Banks' bond mix differs*

# Going long puts 3 ahead

By Marcia Parker

The managers of three top performing bank and insurance company commingled fixed-income funds for periods ended Sept. 30 all banked on a strategy — going long — that paid off.

Leading the way during the one-, three-, five- and 10-year periods was United Bank of Denver's bond fund, which outperformed more than 200 pooled fixed-income funds in Pensions & Investments' Performance Evaluation Report.

Two other repeat top performers joined United in the one-, three- and five-year periods ended Sept. 30. In all three periods, Centerre Trust Co., St. Louis, ranked second and First Interstate Bank of Denver came in third.

The percentage mix of corporate and government bonds differed for the three top performers, but all went with longer maturities.

United of Denver, which is very heavily weighted in government bonds, has an average life of nine years. First Interstate, which emphasizes corporate bonds, went with longer maturities of about 17 years. Centerre, which is overweighted with government and agency bonds, has the longest average maturity at 18.3 years.

W. Lon Schreur, president of United Capital Management, the division of United Bank of Denver that manages the bond fund, attributed the strong performance to "having one of the longer average life bond portfolios in the country."

The fund, with $30 million in assets, is 85% invested in government bonds and 15% in corporate. Mr. Schreur said the average maturity is being shortened; by spring, it should be closer to five or six years than the current nine. In the near term, Mr. Schreur said, the fund would remain heavily weighted with government bonds.

For the 10-year period, the fund's compound annual return was 13.1%, compared with 10.8% for the Shearson Lehman Government/Corporate bond index.

Its five-year compound annual return was 25.1%, compared with 16.2% for the index. The three-year compound annual return was 22.7%, compared with 15% for the index. The return for the 12 months ended Sept. 30 was 33.7%, compared with 19.2% for the index.

For the quarter, when the fund was ranked in the fifth decile, the return was 2.2%, compared with 3% for the index. Mr. Schreur said that during the quarter, the long average life hurt the fund "a little," but he didn't elaborate.

Centerre Trust employs a strategy focusing on interest rate anticipation. With $80 million in assets, the fund is about 64% invested in government securities and 36% in corporate bonds that have an average rating of AA. The average maturity — 18.3 years — is expected to remain unchanged.

"We are succeeding because we have consistently had the same investment policy in place for 14 years," said Dick Hibbs, vice president of marketing at Centerre.

For the one-year period, the fund returned 33%, compared with 20.7% for the Shearson Lehman index; for three years, a compound annual 21.1% compared with 16.7% for the index; and for five years, an annualized 24.7% compared with 19.6%.

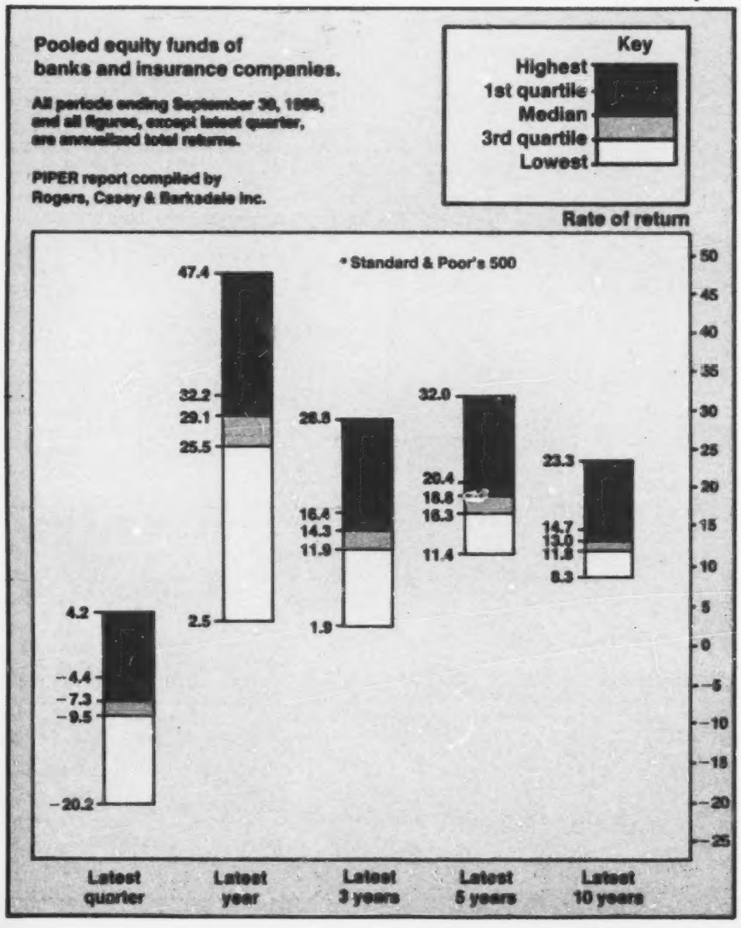
For the 10-year period, Centerre's fund ranked fifth, with a 12.8% compound annual return, compared with 10.7% for the index.

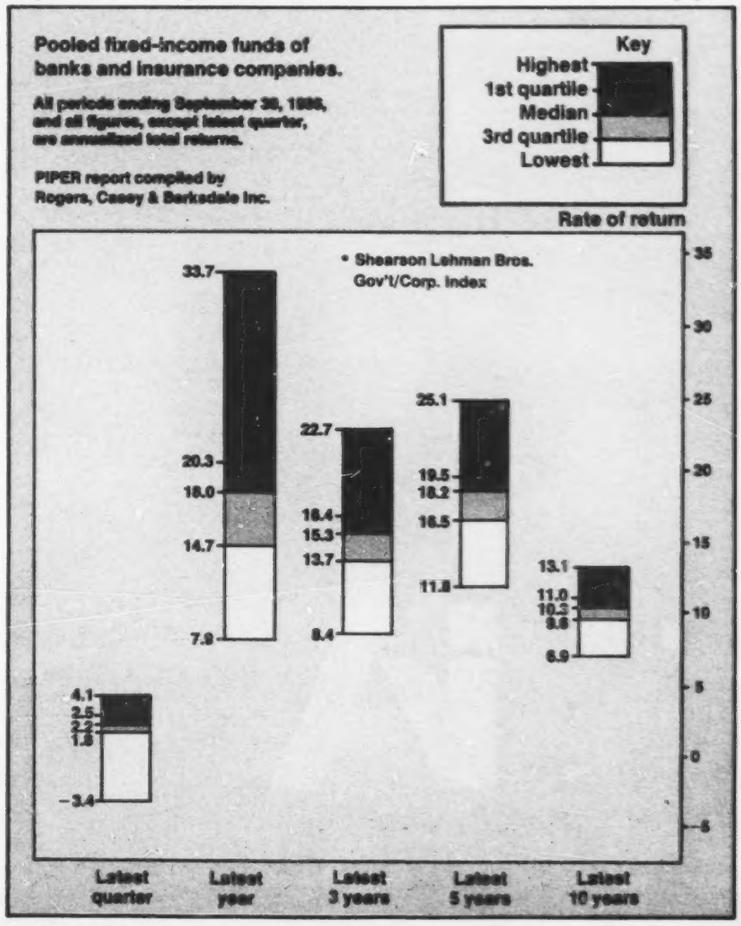
In the quarter, it returned 2%, ranking in the seventh decile.

With assets of $64 million at the end of the third quarter, First Interstate's long bond fund is invested about 60% in U.S. corporate funds and 40% in government and agency bonds.

John R. Cormey, vice president of Denver Investment Advisors, which manages the Common Trust I fund for First Interstate Bank of Denver, said the firm's approach is to look at the fixed-income market as two separate

*Continued on page 73*



## Top quarterly commingled fixed-income funds

### 3-month returns

| | % |
|---|---|
| Exchange National Bank, Ill. | 4.1 |
| Wellington Trust (Mtg.), Mass. | 4.0 |
| New York Life Ins. (4), N.Y. | 3.8 |
| Ouachita National, La. | 3.7 |
| IAA Trust Co. (B), Ill. | 3.6 |
| Chase Manhattan (Mtg.), N.Y. | 3.6 |
| Seafirst Bank, Wash. | 3.3 |
| First of Neenah (Interm.), Wis. | 3.2 |
| Norwest Bank, Minn. | 3.1 |
| Mercantile Safe, Md. | 3.1 |
| Midlantic National, N.J. | 3.1 |
| Toledo Trust, Ohio | 3.0 |
| Hawaiian Trust | 3.0 |
| Texas Commerce (Low. vol.) | 3.0 |
| New England Mutual, Mass. | 3.0 |
| Chase Manhattan (Short-interm.) | 3.0 |
| Harris Trust (Gain), Ill. | 2.9 |
| Mercantile Safe (Interm.), Md. | 2.9 |
| Wellington Trust (Long), Mass. | 2.9 |
| Wilmington Trust, Del. | 2.9 |
| Irving Trust, N.Y. | 2.9 |
| Northern Trust, Ill. | 2.9 |
| Confederation Life (Amer.), Ont. | 2.9 |
| MBank Austin, Texas | 2.9 |
| New Jersey National | 2.9 |
| State Street Bank, Mass. | 2.8 |
| First of Penna, Erie | 2.8 |
| Mid-State Bancorp, Pa. | 2.8 |
| First City Natl., Houston | 2.7 |
| First Variable Life, Ark. | 2.7 |
| Bankers Trust (A), N.Y. | 2.7 |
| AmeriTrust (Reserve), Ohio | 2.7 |
| Comerica Bank (Interm.), Mich. | 2.7 |
| Union Trust Baltimore (Short), Md. | 2.7 |
| Shawmut Bank (Interm.), Mass. | 2.7 |
| First Citizens (Income), N.C. | 2.7 |
| Mercantile Natl., Ind. | 2.7 |
| MTrust, Texas | 2.7 |
| Liberty National, Ky. | 2.6 |
| Comerica Bank, Mich. | 2.6 |
| Jefferson Trust (CT EB), Ill. | 2.6 |
| First Interstate of Wash. | 2.6 |
| First Tennessee Memphis | 2.6 |
| Mercantile Bank, Mo. | 2.6 |
| Dauphin Deposit (Corp. EB), Pa. | 2.6 |
| Continental Bancorp, Pa. | 2.6 |
| Commonwealth Natl. (D), Pa. | 2.6 |
| Valley Fidelity (EB), Tenn. | 2.6 |
| LaSalle National (Interm.), Ill. | 2.6 |
| First Natl., Jackson, Miss. | 2.6 |
| First in Wichita, Kan. | 2.6 |
| Chase Manhattan (Interm.), N.Y. | 2.6 |
| First Bank Milwaukee, Wis. | 2.6 |
| Chemical Bank (2), N.Y. | 2.6 |
| Pioneer Bank, Ill. | 2.6 |
| Citizens Fidelity, Ky. | 2.6 |
| Old Second Natl. (EB), Ill. | 2.6 |
| Citytrust (E3), Conn. | 2.5 |
| Chase Manhattan (A), N.Y. | 2.5 |
| Michigan Natl. of Detroit | 2.5 |
| Connecticut Bank & Trust (EB) | 2.5 |
| Wachovia Bank, N.C. | 2.5 |
| First Wis. Trust (Pass. interm.) | 2.5 |
| Society National, Ohio | 2.5 |
| Greeley National, Colo. | 2.5 |
| Prudential (VCA 8), N.J. | 2.5 |
| Boatmen's National, Mo. | 2.5 |
| Liberty National, Okla. | 2.5 |
| United Mercantile (A), Calif. | 2.5 |
| American Fletcher (Interm.), Ind. | 2.5 |
| Massachusetts Mutual | 2.5 |
| CIGNA Corp. (Interm.), Conn. | 2.5 |
| First of Chicago, Ill. | 2.5 |
| First of Boston (Interm.) | 2.5 |
| First Wisconsin Trust (Interm.) | 2.5 |
| C&S Trust Florida (EB) | 2.5 |
| Manufacturers Detroit (H) | 2.5 |
| **SLGC** | **2.0** |
| **Salomon Broad** | **1.0** |

### 1-year returns

| | % |
|---|---|
| United of Denver, Colo. | 33.7 |
| Centerre Trust, Mo. | 33.0 |
| First Interstate of Denver | 30.6 |
| Chase Manhattan (Long term) | 30.2 |
| Manufacturers Life, Ont. | 29.7 |
| Equitable Life (5), N.Y. | 29.0 |
| Hawaiian Trust | 27.9 |
| LaSalle Natl. (Long term), Ill. | 27.7 |
| Travelers (P), Conn. | 26.6 |
| Connecticut Natl. Bank (EB) | 25.8 |
| Metropolitan Life (41), N.Y. | 25.7 |
| CIGNA Corp. (Pub. trade), Conn. | 25.4 |
| Republic Natl., Dallas, Texas | 25.1 |
| Fidelity Bank, Pa. | 24.5 |
| First Trust Corp, Colo. | 24.1 |
| Citicorp, N.Y. | 23.6 |
| IAA Trust Co. (B), Ill. | 23.3 |
| Trust Co. of Georgia (TRFIF) | 23.3 |
| MTrust, Texas | 23.2 |
| General American (8), Mo. | 23.0 |
| Life of Virginia | 22.6 |
| Comerica Bank, Mich. | 22.6 |
| Chase Manhattan (A), N.Y. | 22.5 |
| American Security, D.C. | 22.4 |
| Phoenix Mutual (Mgd.), Conn. | 22.4 |
| John Hancock, Mass. | 22.4 |
| Connecticut National (Interm.) | 22.4 |
| First Interstate of Ariz. | 22.2 |
| Continental Illinois | 22.2 |
| Philadelphia Natl., Pa. | 22.1 |
| Key Trust Co., N.Y. | 22.1 |
| Imperial Trust Co., Calif. | 21.9 |
| Wellington Trust (Inter.), Mass. | 21.9 |
| National Bank of Commerce, Neb. | 21.9 |
| Shawmut Bank, Mass. | 21.9 |
| Associated Manitowoc (High Inc.) | 21.8 |
| Principal Mutual Life, Iowa | 21.7 |
| First Variable Life, Ark. | 21.6 |
| Bank of New England, Mass. | 21.6 |
| Chemical Bank (2), N.Y. | 21.5 |
| First City Natl., Houston | 21.5 |
| Northern Trust, Ill. | 21.3 |
| Liberty National, Ky. | 21.2 |
| Citizens & Southern, Ga. | 21.1 |
| First of Boston (Interm.), Mass. | 21.1 |
| Mellon Bank (EB), Pa. | 21.0 |
| Society National, Ohio | 20.9 |
| First Wisconsin Trust (Inter.) | 20.9 |
| Harris Trust, Ill. | 20.9 |
| Manufacturers Hanover, N.Y. | 20.9 |
| Colorado National Bank | 20.8 |
| **SLGC** | **20.7** |
| Sovran Bank (Inst.), Va. | 20.6 |
| Exchange Natl. Bank (EB), Ill. | 20.6 |
| First Jersey Natl., N.J. | 20.6 |
| First of Omaha (C), Neb. | 20.5 |
| Prudential (VCA 7), N.J. | 20.5 |
| Bank of California (Flex.) | 20.5 |
| Lloyds Bank (C), Calif. | 20.5 |
| Massachusetts Mutual | 20.5 |
| Colonial Amer. Natl. (Inc.), Va. | 20.5 |
| Bankers Trust (A), N.Y. | 20.4 |
| Central Trust, Ohio | 20.4 |
| Bank of America, Calif. | 20.3 |
| Provident National, Pa. | 20.3 |
| Bessemer Trust, N.Y. | 20.3 |
| First Kentucky Trust (Ret. Tr.) | 20.3 |
| First of Chicago | 20.3 |
| Chase Manhattan (Interm.), N.Y. | 20.3 |
| **Salomon Broad** | **18.7** |

### 3-year returns

| | % |
|---|---|
| United of Denver, Colo. | 22.7 |
| Centerre Trust, Mo. | 21.1 |
| First Interstate of Denver | 20.9 |
| Equitable Life (5), N.Y. | 19.9 |
| IAA Trust Co. (B), Ill. | 19.8 |
| Life of Virginia | 19.2 |
| Travelers (P), Conn. | 19.2 |
| Connecticut Natl. Bank (EB) | 19.0 |
| Principal Mutual Life, Iowa | 18.4 |
| Manufacturers Life, Ont. | 18.2 |
| First Interstate of Ariz. | 18.2 |
| First Trust Corp, Colo. | 18.0 |
| Hawaiian Trust | 17.9 |
| American Security, D.C. | 17.9 |
| John Hancock, Mass. | 17.8 |
| Citicorp, N.Y. | 17.8 |
| Republic Natl. Dallas, Texas | 17.6 |
| Colorado Natl. Bank | 17.6 |
| General American (8), Mo. | 17.4 |
| CIGNA Corp. (Pub. trade), Conn. | 17.4 |
| First Kentucky Trust | 17.3 |
| Bank of California (Flex.) | 17.3 |
| Beverly Bank, Ill. | 17.3 |
| Continental Illinois | 17.3 |
| Sovran Bank, Va. | 17.2 |
| Society National, Ohio | 17.2 |
| Pacific Mutual, Calif. | 17.2 |
| Trust Co. of Georgia (TRFIF) | 17.1 |
| Northern Trust, Ill. | 17.1 |
| Morgan Guaranty, N.Y. | 17.1 |
| Fidelity Bank, Pa. | 17.0 |
| Metropolitan Life (41), N.Y. | 17.0 |
| First of Chicago | 17.0 |
| Natl. Bank of Commerce, Neb. | 17.0 |
| First of Chicago (Dollar) | 17.0 |
| Colonial Am. Natl. (Income), Va. | 16.9 |
| First of Omaha (C), Neb. | 16.9 |
| Central Fidelity (EB mgd.), Ill. | 16.9 |
| Exchange Natl. (EB inc.), Ill. | 16.9 |
| Connecticut Natl. (Interm.) | 16.8 |
| First Wisconsin Natl., Madison | 16.8 |
| Mellon Bank (EB), Pa. | 16.8 |
| Philadelphia Natl., Pa. | 16.8 |
| First Variable Life, Ark. | 16.8 |
| Central Trust, Ohio | 16.7 |
| Liberty National, Ky. | 16.7 |
| Aetna Life & Cas. (76), Conn. | 16.7 |
| First City Natl., Houston | 16.7 |
| **SLGC** | **16.7** |
| Lloyds Bank (C), Calif. | 16.7 |
| Chemical Bank (1), N.Y. | 16.6 |
| Wellington Trust (Interm.), Mass. | 16.6 |
| Wachovia Bank, N.C. | 16.6 |
| Key Trust Co., N.Y. | 16.6 |
| First Interstate of Calif. | 16.6 |
| Mutual of New York (Public) | 16.6 |
| Harris Trust, Ill. | 16.6 |
| Associated Manitowoc, Wis. | 16.4 |
| CIGNA Corp (Interm.), Conn. | 16.4 |
| Manufacturers Detroit, Mich. | 16.4 |
| **Salomon Broad** | **16.4** |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| | |
|---|---|
| First Jersey Natl., N.J. | 16.4 |
| California First Bank | 16.4 |
| Seafirst Bank, Wash. | 16.4 |
| Shawmut Bank, Mass. | 16.4 |

### 5-year returns

| | % |
|---|---|
| United of Denver, Colo. | 25.1 |
| Centerre Trust, Mo. | 24.7 |
| First Interstate of Denver | 23.9 |
| Life of Virginia | 23.2 |
| American Security, D.C. | 22.3 |
| Society National, Ohio | 22.3 |
| IAA Trust Co. (B), Ill. | 22.3 |
| AmSouth, Ala. | 22.2 |
| Citicorp, N.Y. | 22.1 |
| CIGNA Corp (Pub. trade), Conn. | 22.0 |
| First Wis. Natl., Madison | 22.0 |
| John Hancock, Mass. | 21.6 |
| Colorado Natl. Bank | 21.5 |
| Connecticut Natl. Bank (EB) | 21.4 |
| First Kentucky Trust | 21.4 |
| Sovran Bank, Va. | 21.3 |
| Pacific Mutual, Calif. | 21.3 |
| First of Chicago | 21.0 |
| First of Chicago (Dollar) | 21.0 |
| Equitable Life (5), N.Y. | 20.9 |
| Philadelphia Natl., Pa. | 20.8 |
| Hawaiian Trust | 20.7 |
| Wachovia Bank, N.C. | 20.6 |
| Bank of California (Flexible) | 20.6 |
| Liberty National, Ky. | 20.4 |
| Bank of New York | 20.4 |
| Lloyds Bank (C), Calif. | 20.4 |
| Natl. Bank of Commerce, Neb. | 20.4 |
| First Interstate of Arizona | 20.4 |
| Mutual of New York (Public) | 20.3 |
| Key Trust Co., N.Y. | 20.3 |
| First Variable Life, Ark. | 20.3 |
| CIGNA Corp. (Interm.), Conn. | 20.2 |
| Marine Midland, N.Y. | 20.1 |
| Colonial American Natl., Va. | 20.1 |
| Bankers Trust (A), N.Y. | 20.0 |
| Travelers (P), Conn. | 19.8 |
| Northern Trust, Ill. | 19.8 |
| Republic National, Dallas | 19.8 |
| First Trust Corp., Colo. | 19.8 |
| Beverly Bank, Ill. | 19.7 |
| Confederation Life (Amer.), Ont. | 19.7 |
| Commerce Union, Tenn. | 19.7 |
| First of Omaha (C), Neb. | 19.7 |
| American National (EB), Minn | 19.7 |
| Travelers (D), Conn. | 19.7 |
| MTrust, Texas | 19.7 |
| Central Fidelity (EB mgd.), Va. | 19.7 |
| Irving Trust, N.Y. | 19.6 |
| Morgan Guaranty, N.Y. | 19.6 |
| First Interstate of Calif. | 19.6 |
| **SLGC** | **19.6** |
| **Salomon Broad** | **19.5** |
| Harris Trust, Ill. | 19.5 |
| State Street Bank, Mass. | 19.5 |
| Mellon Bank (EB fixed), Pa. | 19.5 |
| Hamilton Bank, Pa. | 19.5 |

### 10-year returns

| | % |
|---|---|
| United of Denver, Colo. | 13.1 |
| Sovran Bank, Va. | 13.0 |
| Bank IV Wichita (EB), Kan. | 12.9 |
| Life of Virginia | 12.9 |
| Centerre Trust, Mo. | 12.8 |
| Pacific Mutual, Calif. | 12.5 |
| Fidelity Bank, Pa. | 12.4 |
| Beverly Bank, Ill. | 12.4 |
| Texas Commerce (Act. mgd.) | 12.3 |
| First Jersey National, N.J. | 12.2 |
| American Security, D.C. | 12.2 |
| Seafirst Bank, Wash. | 12.2 |
| First Interstate of Denver | 11.9 |
| First Wis. Natl., Madison | 11.9 |
| Manufacturers Hanover | 11.9 |
| First Interstate of Calif. | 11.8 |
| First Kentucky Trust | 11.7 |
| Boatmen's National, Mo. | 11.7 |
| Central Fidelity (EB mgd), Va. | 11.6 |
| First Interstate of Arizona | 11.6 |
| Bank of New England, Mass. | 11.5 |
| Manufacturers Detroit, Mich. | 11.5 |
| Mercantile Bank, Mo. | 11.4 |
| Merchants National, Pa. | 11.4 |
| American National Bank, Tenn. | 11.3 |
| CIGNA Corp. (Pub. trade), Conn. | 11.3 |
| John Hancock, Mass. | 11.3 |
| Lloyds Bank (C), Calif. | 11.2 |
| Citicorp, N.Y. | 11.2 |
| Connecticut National Bank (EB) | 11.2 |
| Bankers Trust (B), N.Y. | 11.2 |
| US Trust, N.Y. | 11.2 |
| Commerce Union, Tenn. | 11.1 |
| Cullen Bank (EB), Texas | 11.1 |
| First Bank Milwaukee, Wis. | 11.1 |
| First Fidelity Bank (Inter.), N.J. | 11.1 |
| Toledo Trust, Ohio | 11.1 |
| Bankers Trust (A), N.Y. | 11.0 |
| AmeriTrust (Reserve), Ohio | 11.0 |
| IAA Trust Co. (B), Ill. | 11.0 |
| Indiana National Bank | 11.0 |
| American National (EB), Minn. | 11.0 |
| Oregon Bank | 11.0 |
| Key Trust Co., N.Y. | 11.0 |
| **SLGC** | **10.7** |

## Top fixed funds by size

### 1-year returns

#### Over $100 million

| | % |
|---|---|
| Chase Manhattan, N.Y. | 30.2 |
| Equitable Life (5), N.Y. | 29.0 |
| CIGNA Corp., Conn. | 25.4 |
| Life of Virginia | 22.6 |
| Chase Manhattan (A), N.Y. | 22.5 |
| American Security, D.C. | 22.4 |
| John Hancock, Mass. | 22.4 |
| Principal Mutual Life, Iowa | 21.7 |
| Bank of New England, Mass. | 21.6 |
| Harris Trust, Ill. | 20.9 |
| Manufacturers Hanover, N.Y. | 20.9 |

#### $50 million to $100 million

| | % |
|---|---|
| Centerre Trust, Mo. | 33.0 |
| First Interstate of Denver | 30.6 |
| Travelers (P), Conn. | 26.6 |
| Metropolitan Life (41), N.Y. | 25.7 |
| Fidelity Bank, Pa. | 24.5 |
| Citicorp, N.Y. | 23.6 |
| Trust Co. of Georgia | 23.3 |
| Comerica Bank, Mich. | 22.6 |
| Continental Illinois | 22.2 |
| Chemical Bank (2), N.Y. | 21.5 |

#### $10 million to $50 million

| | % |
|---|---|
| United of Denver, Colo. | 33.7 |
| Republic Natl., Dallas | 25.1 |
| IAA Trust Co. (B), Ill. | 23.3 |
| MTrust, Texas | 23.2 |
| General American (8), Mo. | 23.0 |
| Phoenix Mutual, Conn. | 22.4 |
| Connecticut Natl. Bank | 22.4 |
| Philadelphia Natl., Pa. | 22.1 |
| Wellington Trust, Mass. | 21.9 |
| Natl. Bank of Commerce | 21.9 |
| Shawmut Bank, Mass. | 21.9 |

#### Under $10 million

| | % |
|---|---|
| Manufacturers Life, Ont. | 29.7 |
| LaSalle National, Ill. | 27.7 |
| Connecticut National Bank | 25.8 |
| First Trust Corp., Colo. | 24.1 |
| First Interstate of Ariz. | 22.2 |
| Key Trust Co., N.Y. | 22.1 |
| Imperial Trust Co., Calif. | 21.9 |
| First Variable Life, Ark. | 21.6 |
| Exchange Natl. Bank, Ill. | 20.6 |
| Colonial Am. Natl., Va. | 20.5 |

### 10-year returns

#### Over $100 million

| | % |
|---|---|
| Life of Virginia | 12.9 |
| Texas Commerce (Act. mgd.) | 12.3 |
| American Security, D.C. | 12.2 |
| Manufacturers Hanover, N.Y. | 11.9 |
| Boatmen's Natl., Mo. | 11.7 |
| Bank of New England, Mass. | 11.5 |
| Mercantile Bank, Mo. | 11.4 |
| CIGNA Corp. (Pub. tr.) | 11.3 |
| John Hancock, Mass. | 11.3 |
| Wachovia Bank, N.C. | 10.8 |

#### $50 million to $100 million

| | % |
|---|---|
| Sovran Bank, Va. | 13.0 |
| Centerre Trust, Mo. | 12.8 |
| Pacific Mutual, Calif. | 12.5 |
| Fidelity Bank, Pa. | 12.4 |
| First Interstate of Denver | 11.9 |
| First Kentucky Trust | 11.7 |
| Manufacturers Detroit | 11.5 |
| Citicorp, N.Y. | 11.2 |
| Bankers Trust (B), N.Y. | 11.2 |
| US Trust, N.Y. | 11.2 |

#### $10 million to $50 million

| | % |
|---|---|
| United of Denver | 13.1 |
| Bank IV Wichita, Kan. | 12.9 |
| First Jersey Natl., N.J. | 12.2 |
| First Wis. Natl., Madison | 11.9 |
| First Interstate of Calif. | 11.8 |
| Merchants Natl., Pa. | 11.4 |
| American Natl. Bank, Tenn. | 11.3 |
| Lloyds Bank, Calif. | 11.2 |
| Commerce Union, Tenn. | 11.1 |
| Cullen Bank (EB), Texas | 11.1 |
| First Bank Milwaukee | 11.1 |
| Toledo Trust, Ohio | 11.1 |

#### Under $10 million

| | % |
|---|---|
| Beverly Bank, Ill. | 12.4 |
| Central Fidelity (mgd.), Va. | 11.6 |
| First Interstate of Ariz. | 11.6 |
| Connecticut Natl. Bank | 11.2 |
| Oregon Bank | 11.0 |
| Key Trust Co., N.Y. | 11.0 |
| First of Neenah (long term) | 10.8 |
| Colonial Am. Natl. (Inc.), Va. | 10.7 |
| First of Neenah (Inter.), Wis. | 10.6 |
| American National Bank, Ind. | 10.6 |


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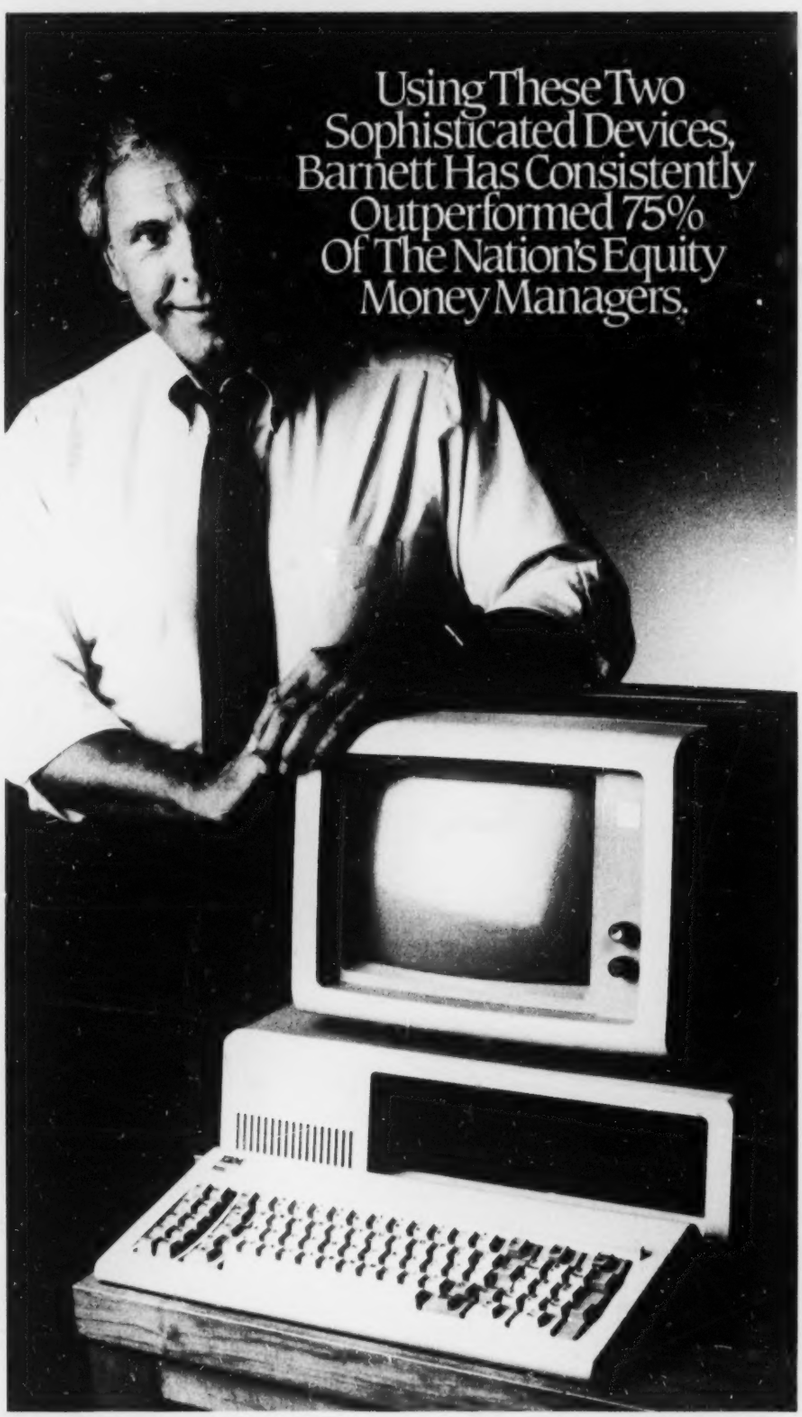


Barnett Bank

Barnett Banks Trust Company, N.A.
Barnett Is Florida's Bank.
All Barnett Banks are members of FDIC.
*As measured by SEI Corp. December 31, 1985/Funds Evaluation Services

## Top quartile commingled equity funds

### 3-month returns

| | % |
|---|---|
| First Interstate Nevada (EB) | 4.2 |
| First of Elgin (A), Ill. | 1.3 |
| Calcasieu Marine Natl. (E), La. | 0.6 |
| Commonwealth Natl. (E), Pa. | 0.3 |
| Cullen Bank (EB), Texas | – 0.2 |
| Bank of California (In.) | – 0.2 |
| Bank of the West, Calif. | – 0.4 |
| State Street Bank (I), Mass. | – 0.5 |
| Natl. Bank of Commerce, Tenn. | – 0.5 |
| Commerce Bank (Com.), Mo. | – 0.5 |
| American National (EB), Minn. | – 0.7 |
| US Natl. of Galveston, Texas | – 0.7 |
| MTrust (Value), Texas | – 0.8 |
| Citizens & Southern, Ga. | – 1.1 |
| First of Omaha (D), Neb. | – 1.2 |
| Mercantile National, Ind. | – 1.2 |
| Phoenix Mutual, Conn. | – 1.8 |
| Interfirst Bank Dallas (In.) | – 1.8 |
| First of Elgin (C), Ill. | – 1.8 |
| CIGNA Corp (A), Conn. | – 1.9 |
| First of Maryland | – 1.9 |
| Crown Life (US) Ontario | – 2.0 |
| First Wisconsin Trust (In.) | – 2.1 |
| Ouachita National, La. | – 2.2 |
| Gary Wheaton Bank (hedged), Ill. | – 2.3 |
| Norstar Trust Co., N.Y. | – 2.3 |
| Mid-State Bancorp, Pa. | – 2.4 |
| Liberty National, Ky. | – 2.5 |
| Provident National, Pa. | – 2.6 |
| BancTexas, Dallas | – 2.7 |
| Fidelity Mgmt. Trust (In.), Mass. | – 2.7 |
| AmSouth, Ala. | – 2.8 |
| Southeast Bank (EB), Fla. | – 2.8 |
| First Fidelity Bank (Dis.), N.J. | – 2.9 |
| Irving Trust, N.Y. | – 2.9 |
| Merchants National, Pa. | – 3.0 |
| Sovran Bank (Inst.), Va. | – 3.1 |
| First of Shreveport, La. | – 3.3 |
| Dauphin Deposit (Corp), Pa. | – 3.3 |
| Continental Illinois (Com.) | – 3.4 |
| Republic Natl., Dallas | – 3.4 |
| Michigan Natl. of Detroit | – 3.5 |
| Bank of New England (Rot.) | – 3.5 |
| Massachusetts Mutual | – 3.6 |
| Bank One Trust (Corp.) | – 3.6 |
| State Street Bank, Mass. | – 3.8 |
| Northern States Trust, Ill. | – 3.8 |
| Frost National (A), Texas | – 3.8 |
| Midlantic National, N.J. | – 3.9 |
| Wachovia Bank, N.C. | – 3.9 |
| Michigan Natl. of Grand Rapids | – 3.9 |
| United Virginia Bank (5822) | – 3.9 |
| First Interstate of Denver (Val.) | – 4.0 |
| First Alabama Bank (I) | – 4.0 |
| Sun Bank, Fla. | – 4.0 |
| Mercantile Bank (Coll.), Mo. | – 4.0 |
| AmeriTrust (Div.), Ohio | – 4.1 |
| Union Central, Ohio | – 4.1 |
| United Carolina Bank (EB), N.C. | – 4.1 |
| Mutual of New York | – 4.2 |
| Harris Trust, Ill. | – 4.2 |
| First Union Bank, N.C. | – 4.2 |
| Mercantile Safe, Md. | – 4.3 |
| Prudential (Priform), N.J. | – 4.3 |
| Jefferson Trust (EB), Ill. | 4.4 |
| LaSalle National, Ill. | – 4.4 |
| Central Bank Monroe, La. | – 4.4 |
| **Standard & Poor's 500** | – 7 |

### 1-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 47.4 |
| Bank of the West, Calif. | 45.7 |
| Harris Trust (Common), Ill. | 43.8 |
| First of America (Con. Val.), Mich. | 43.7 |
| Pittsburgh National (QMS) | 43.3 |
| First Trust Corp, Colo. | 42.1 |
| Puget Sound National, Wash. | 41.4 |
| First of America, Mich. | 41.3 |
| South Carolina National | 41.0 |
| Harris Trust (Low p/e), Ill. | 40.7 |
| Commerce Bank St. Louis | 40.4 |
| First Bank Milwaukee (Coll.) | 39.7 |
| First of Neenah, Wis. | 39.4 |
| Barnett Banks Trust (EB), Fla. | 39.3 |
| Republic National, Dallas | 39.2 |
| Interfirst Bank Dallas (Inc.) | 38.8 |
| First Interstate of Denver (Value) | 38.7 |
| State Street Bank (I), Mass. | 38.3 |
| First of Neenah, Wis. | 38.2 |
| Bank of Virginia (EB) | 38.0 |
| Citizens Fidelity (E), Ky. | 37.7 |
| Guardian Insurance (I), N.Y. | 37.2 |
| Dauphin Deposit (Corp. EB), Pa. | 36.9 |
| Cullen Bank (EB), Texas | 36.9 |
| CREF | 36.9 |
| Citizens & Southern, Ga. | 36.8 |
| First of Maryland | 36.7 |
| First Security Natl. (D), Ky. | 36.7 |
| Alaska Pacific Trust (EBT) | 36.5 |
| State Street Bank, Mass. | 36.4 |
| California First Bank | 36.3 |
| American National (Growth), Ind. | 36.2 |
| Pioneer Bank, Ill. | 35.7 |
| First Interstate of Denver | 35.7 |
| Commerce Bank, K.C., Mo. | 35.2 |
| Bank of New Eng. (Rot.), Mass. | 35.1 |
| Northern Central (Core), Pa. | 34.7 |
| Bank of California (Inc.) | 34.6 |
| State National Evanston, Ill. | 34.5 |
| Bank of Delaware (VIP) | 34.2 |
| Bank of New York | 34.0 |
| Seattle Trust, Wash. | 34.0 |
| New England Mutual (Growth) | 33.9 |
| Bank IV Wichita (EB), Kan. | 33.7 |
| Key Trust Co., N.Y. | 33.7 |
| Mellon Bank (EB), Pa. | 33.6 |
| Allied Bank, Texas | 33.5 |
| Commonwealth Natl. (E), Pa. | 33.4 |
| Norwest Bank, Minn. | 33.4 |
| Merchants Natl. (2), Ind. | 33.3 |
| Pacific Mutual, Calif. | 33.3 |
| First Natl. of Commerce, La. | 33.0 |
| Northern States Trust Co., Ill. | 33.0 |
| HT Investors, R.I. | 32.9 |
| Mercantile Bank (Coll.), Mo. | 32.9 |
| Manufacturers Hanover, N.Y. | 32.9 |
| Frost National (A), Texas | 32.9 |
| Liberty National, Ky. | 32.9 |
| First of Toledo, Ohio | 32.8 |
| First Interstate of Calif. (Index) | 32.8 |
| Boston Safe Deposit, Mass. | 32.8 |
| Employers Life of Wausau (1) | 32.7 |
| Riggs of Washington | 32.6 |
| Provident National, Pa. | 32.6 |
| Associated Manitowoc, Wis. | 32.6 |
| Nationwide Life Ins., Ohio | 32.4 |
| Citizens Chillicothe (B), Mo. | 32.2 |
| Philadelphia Natl., Pa. | 32.2 |
| **Standard & Poor's 500** | 31.8 |

### 3-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 28.8 |
| Bank of the West, Calif. | 23.5 |
| First of America, Mich. | 23.5 |
| MTrust (Value), Texas | 22.6 |
| Northern States Trust Co., Ill. | 22.6 |
| Bank of New England (Rot.) | 22.1 |
| New Jersey National | 21.5 |
| First Interstate of Denver (Value) | 21.5 |
| State National, Evanston, Ill. | 21.1 |
| Alaska Pacific Trust (EBT) | 20.8 |
| Barnett Banks Trust (EB), Fla. | 20.7 |
| Cullen Bank (EB), Texas | 20.5 |
| Manufacturers Detroit | 20.3 |
| Republic Natl., Dallas | 20.3 |
| Mellon Bank (EB), Pa. | 20.2 |
| First Trust Corp, Colo. | 20.2 |
| Nationwide Life Ins., Ohio | 20.0 |
| Guardian Insurance (1), N.Y. | 20.0 |
| First Union Bank, N.)C. | 19.9 |
| First of Omaha (D), Neb. | 19.7 |
| Frost National (A), Texas | 19.5 |
| LaSalle Natl. (Value), Ill. | 19.4 |
| Prudential (Priform), N.J. | 19.3 |
| US Natl. of Galveston, Texas | 19.2 |
| Bank of Virginia (EB) | 19.2 |
| First of Neenah, Wis. | 19.1 |
| Natl. Bank of Commerce, Tenn. | 18.9 |
| C&S Trust Florida (EB) | 18.7 |
| Citytrust (E1), Conn. | 18.6 |
| Pittsburgh Natl. (QMS), Pa. | 18.6 |
| Provident National, Pa. | 18.5 |
| Pioneer Bank, Ill. | 18.4 |
| Lake Shore Natl., Ill. | 18.3 |
| Citizens Fidelity (E), Ky. | 18.3 |
| Dauphin Deposit (EB), Pa. | 18.2 |
| First of Neenah, Wis. | 18.1 |
| US Trust, N.Y. | 18.1 |
| CREF | 17.8 |
| Colorado National Bank | 17.8 |
| AmeriTrust (Div.), Ohio | 17.7 |
| Mercantile Bank (Col.), Mo. | 17.5 |
| Central Fidelity (EB), Va. | 17.5 |
| Riggs of Washington | 17.4 |
| Merchants Natl. (2), Ind. | 17.4 |
| Harris Trust (Com.), Ill. | 17.4 |
| Mutual of New York | 17.4 |
| First Wisconsin Trust (Income) | 17.3 |
| Massachusetts Mutual | 17.2 |
| Continental Bancorp (Com.), Pa. | 17.2 |
| Fidelity Mgmt. Trust (Inc.), Mass. | 17.1 |
| John Hancock (1K), Mass. | 17.1 |
| First Security Natl. (D), Ky. | 17.0 |
| Dominion Trust (Corp.), Va. | 16.9 |
| First Jersey National, N.J. | 16.9 |
| John Hancock (1L), Mass. | 16.8 |
| First of Maryland | 16.8 |
| Phoenix Mutual, Conn. | 16.7 |
| Bankers Trust (Index), N.Y. | 16.6 |
| American Natl. (Index), Chicago | 16.6 |
| Toledo Trust, Ohio | 16.5 |
| **Standard & Poor's 500** | 16.5 |
| State Street Bank (Index), Mass. | 16.4 |
| Old Kent, Mich. | 16.4 |
| First in Bartlesville, Okla. | 16.4 |

### 5-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 32.0 |
| Manufacturers Life, Ont. | 27.0 |
| First Union Bank, N.C. | 26.0 |
| Guardian Insurance (1), N.Y. | 24.7 |
| New England Mutual (Growth) | 24.6 |
| MTrust (Value), Texas | 24.2 |


# Bondex I:
## Performance as Promised

Favia Hill's indexed bond fund has delivered its promise: through the third quarter 1986, Bondex I has yielded within 15 basis points of the Shearson Lehman Government Corporate Bond Index.

Bondex I features an innovative, adjustable advisory fee structure designed to benefit the client.

For more information, contact:
Erich G. Weissenberger, Jr., Director of Marketing.
Favia, Hill & Associates, Inc., 30 Rockefeller Plaza,
New York, New York 10112. (212) 621-2858

Favia Hill
& Associates, Inc.

Note: Past performance is no guarantee of future results.

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## Top equity funds by size

### 1-year returns

### Over $100 million

| | % |
|---|---|
| Sun Bank, Fla. | 47.4 |
| Harris Trust, Ill. | 43.8 |
| Republic Natl. Dallas | 39.2 |
| CREF | 36.9 |
| Mellon Bank (EB), Pa. | 33.6 |
| Norwest Bank, Minn. | 33.4 |
| Manufacturers Hanover, N.Y. | 32.9 |
| First Interstate of Calif. | 32.8 |
| Provident Natl., Pa. | 32.6 |
| Philadelphia Natl., Pa. | 32.2 |

### $50 million to $100 million

| | % |
|---|---|
| First of America, Mich. | 41.3 |
| Interfirst Bank Dallas | 38.8 |
| First Interstate of Denver | 35.7 |
| Bank of New England, Mass. | 35.1 |
| Bank of New York | 34.0 |
| New England Mutual, Mass. | 33.9 |
| Pacific Mutual, Calif. | 33.3 |
| Mercantile Bank, Mo. | 32.9 |
| Continental Bancorp, Pa. | 31.7 |
| Chicago Title & Trust, Ill. | 31.4 |

### $10 million to $50 million

| | % |
|---|---|
| First of America, Mich. | 43.7 |
| Pittsburgh Natl., Pa. | 43.3 |
| First Trust Corp., Colo. | 42.1 |
| South Carolina Natl. | 41.0 |
| Harris Trust (low p/e), Ill. | 40.7 |
| Commerce Bank St. Louis | 40.4 |
| First Bank Milwaukee | 39.7 |
| Barnett Banks Trust Co., Fla. | 39.3 |
| First Interstate of Denver | 38.7 |
| First of Neenah, Wis. | 38.2 |

### Under $10 million

| | % |
|---|---|
| Bank of the West, Calif. | 45.7 |
| Puget Sound Natl., Wash. | 41.4 |
| First of Neenah, Wis. | 39.4 |
| Alaska Pacific Trust | 36.5 |
| American Natl., Ind. | 36.2 |
| Merchants Natl. (2), Ind. | 33.3 |
| Northern States Trust Co., Ill. | 33.0 |
| Boston Safe Deposit, Mass. | 32.8 |
| Imperial Trust Co., Calif. | 32.0 |
| Dominion Trust, Va. | 31.4 |

### 10-year returns

### Over $100 million

| | % |
|---|---|
| First Wis. Natl., Madison | 19.7 |
| American Natl. Chicago | 19.7 |
| Sun Bank, Fla. | 18.5 |
| US Natl. of Oregon | 17.8 |
| First Union Bank, N.C. | 17.8 |
| Provident Natl., Pa. | 17.8 |
| Bessemer Trust, N.Y. | 17.2 |
| Manufacturers Detroit, Mich. | 16.4 |
| Principal Mutual Life, Iowa | 16.4 |
| Massachusetts Mutual | 16.2 |

### $50 million to $100 million

| | % |
|---|---|
| Manufacturers Life, Ont. | 23.3 |
| First Interstate of Denver | 17.9 |
| New England Mutual, Mass. | 17.1 |
| Continental Bancorp, Pa. | 16.6 |
| First of America, Mich. | 16.4 |
| Fifth Third Bank, Ohio | 15.6 |
| First Jersey Natl., N.J. | 14.9 |
| Colorado National Bank | 14.9 |
| Chicago Title & Trust, Ill. | 14.5 |
| Norstar Trust Co., N.Y. | 14.0 |

### $10 million to $50 million

| | % |
|---|---|
| Guardian Insurance (1), N.Y. | 20.4 |
| Citizens Chillicothe (B), Mo. | 19.6 |
| First Trust Corp., Colo. | 18.8 |
| US Natl. of Galveston, Texas | 18.8 |
| Natl. Bank of Commerce | 17.6 |
| State Natl., Evanston, Ill. | 17.2 |
| Confederation Life, Ont. | 17.2 |
| First Variable Life, Ark. | 16.7 |
| MTrust, Texas | 16.6 |
| Nationwide Life Ins., Ohio | 16.5 |

### Under $10 million

| | % |
|---|---|
| Wheeling Dollar Bank | 14.6 |
| Unibanctrust, Ill. | 14.4 |
| First of Neenah, Wis. | 14.4 |
| Merchants Natl. (2), Ind. | 14.3 |
| Union Central, Ohio | 13.8 |
| Dominion Trust, Va. | 13.0 |
| Union Trust Baltimore (D) | 12.9 |
| Old Second Natl., Ill. | 12.7 |
| First in Bartlesville, Okla. | 12.5 |
| Irving Trust, N.Y. | 12.5 |
| American Natl. Bank, Ind. | 12.5 |

| | |
|---|---|
| Provident National, Pa. | 24.2 |
| Manufacturers Detroit | 24.1 |
| Dauphin Deposit (EB), Pa. | 23.8 |
| Marine Midland, N.Y. | 23.8 |
| Bank of the West, Calif. | 23.7 |
| Nationwide Life Ins., Ohio | 23.6 |
| Lake Shore Natl., Ill. | 23.5 |
| Mutual Benefit, N.J. | 23.5 |
| First Wis. Natl., Madison | 23.3 |
| First of Omaha (D), Neb. | 23.3 |
| Bank of Virginia (EB) | 23.2 |
| Republic Natl., Dallas | 23.1 |
| Pioneer Bank, Ill. | 23.1 |
| First of America, Mich. | 23.1 |
| US Natl. of Galveston, Texas | 22.8 |
| Prudential (Priform), N.J. | 22.5 |
| Connecticut Mutual Life (CM) | 22.5 |
| New Jersey National | 22.2 |
| Colorado Natl. Bank | 22.1 |
| John Hancock (1L), Mass. | 21.9 |
| Natl. Bank of Commerce, Tenn. | 21.9 |
| Massachusetts Mutual | 21.9 |
| First Fidelity Bank, N.J. | 21.8 |
| Barnett Banks Trust Co. (EB), Fla. | 21.7 |
| First Wisconsin Trust (Income) | 21.7 |
| C&S Trust Florida (EB) | 21.6 |
| First Trust Corp., Colo. | 21.6 |
| First Variable Life, Ark. | 21.5 |
| Mellon Bank (EB), Pa. | 21.5 |
| CREF | 21.4 |
| AmSouth, Ala. | 21.4 |
| First Security Natl. (D), Ky. | 21.4 |
| Mercantile Safe, Md. | 21.4 |
| First of Neenah, Wis. | 21.2 |
| Texas Commerce (Diver.) | 21.0 |
| Society National (Rel. val), Ohio | 21.0 |
| American Natl. (Active), Chicago | 21.0 |
| AmeriTrust (Div.), Ohio | 20.9 |
| Cullen Bank (EB), Texas | 20.9 |
| US Natl. of Oregon (Qualivest) | 20.9 |
| State Street Bank, Mass. | 20.8 |
| Citytrust (E1), Conn. | 20.8 |
| Harris Trust, Ill. | 20.8 |
| Gary Wheaton Bank, Ill. | 20.7 |
| Seattle Trust, Wash. | 20.7 |
| Mutual of New York | 20.6 |
| First Kentucky Trust | 20.6 |
| Old Kent, Mich. | 20.6 |
| Resource Bank & Trust, Minn. | 20.6 |
| Merchants Natl. (2), Ind. | 20.5 |
| Bankers Trust (Index), N.Y. | 20.5 |
| First Bank Milwaukee | 20.4 |
| Citizens Fidelity (E), Ky. | 20.4 |
| Southeast Bank (EB), Fla. | 20.4 |
| Continental Bancorp, Pa. | 20.4 |
| Sovran Bank, Va. | 20.4 |
| **Standard & Poor's 500** | **20.2** |

### 10-year returns

| | % |
|---|---|
| Manufacturers Life, Ont. | 23.3 |
| Guardian Insurance (1), N.Y. | 20.4 |
| First Wis. Natl., Madison | 19.7 |
| American Natl. (Active), Chicago | 19.7 |
| Citizens Chillicothe (B), Mo. | 19.6 |
| First Trust Corp., Colo. | 18.8 |
| US Natl. of Galveston | 18.8 |
| Sun Bank, Fla. | 18.5 |
| First Interstate of Denver | 17.9 |
| US Natl. of Oregon (Qualivest) | 17.8 |
| First Union Bank, N.C. | 17.8 |
| Provident Natl., Pa. | 17.8 |
| Natl. Bank of Commerce, Neb. | 17.6 |
| Bessemer Trust, N.Y. | 17.2 |
| State Natl. Evanston, Ill. | 17.2 |
| Confederation Life, Ont. | 17.2 |
| First of Omaha (D), Neb. | 17.1 |
| New England Mutual (Growth) | 17.1 |
| First Variable Life, Ark. | 16.7 |
| Continental Bancorp (Com), Pa. | 16.6 |
| MTrust (Value), Texas | 16.6 |


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# Few equity funds . . .

*Continued from page 65*

lized return.

Joseph Hefner, vice president and chief investment officer, said the bank's $4.3 million fund focuses on large-capitalization companies with recognizable names. The bank's strategy, he said, is "not to lose money."

Mr. Hefner said some of the fund's biggest holdings are **Syntex Corp.**, a pharmaceuticals company, **Philip Morris Inc.** and **Borden Inc.** Some 35% of the portfolio is concentrated in utilities.

The fund recently added **Abbott Laboratories,** and **Minnesota Mining & Manufacturing Co.** to its portfolio.

Another top performer in the one-year period was Pittsburgh National Bank, whose $20 million fund landed in the top five with a return of 43.3%.

Frank Blanc, assistant vice president and senior portfolio manager, said the fund uses a computer-based stock selection process that keys on price momentum and favorable earnings progression.

The program generates about 20 stocks and screens the best eight or 11.

"We try to avoid overpriced stocks, and buy at the lower end of the value range," Mr. Blanc said, "and we have a holding period of about 18 months."

The portfolio is overweighted in consumer-oriented stocks like drug and food companies. Some of its biggest holdings include **Merck and Co. Inc., Eli Lilly & Co.** and **Deluxe Check Printers Inc.**

Harris Trust and Savings Bank, Chicago, finished third for the one-year period with a return of 43.8%. Though it did not fare as well in other time periods, it has consistently outperformed the S&P 500.

John Kirscher, senior vice president, said the $126 million fund employs a decision model that focuses on price/earnings ratios, dividend discounts, price and earning momentum and a change in estimates.

The portfolio is overweighted in banks, utilities, autos, aerospace, insurance and home building. "We have a very good savings and loan exposure," he said.

Some of its biggest holdings are **U.S. Gypsum Corp., National Gypsum Co., California Federal, Golden West Financial, Great Western Savings Bank** and **Home Federal Savings and Loan of San Diego**.

First of America, Kalamazoo, Mich., finished in the top three over the three-year period, with a return of 23.5%, and in the top 10 for the one-year period, with a return of 41.3%.

The $94 million fund employs a specialized approach to the low p/e investment strategy. It looks for undervalued stocks with a record of good historic growth and positive earnings.

"We focus attention where earnings expectations are improving compared with earlier time periods," said Craig Vander Molen, managing director of Securities Counsel, Kalamazoo, Mich., the wholly owned subsidiary of First of America that manages the bank's portfolio.

The portfolio is concentrated in financial, consumer and cyclical stocks. The heaviest emphasis is on financial stocks, some of which are **Great Western Financial, American Express, First Bank System** and **Ahmanson & Co.**, a savings and loan.

First of America was comfortably nestled in the top 10% over the five- and 10-year periods, with returns of 23.1% and 16.4%, respectively. The news was not as good for the quarter: First of America finished out of the top 10% with a −5.1 return, but it still outperformed the S&P 500.

Provident National Bank, Philadelphia, was an outstanding performer over the five-year period, finishing seventh with an annualized return of 24.2%.

Portfolio managers of the $250 million commingled fund buy low p/e stocks, said Carol McMurtie, senior vice president of Provident Capital Management, Philadelphia, which manages the bank's portfolio.

Some of its biggest holdings are **Citicorp** and **IBM**, with large holdings in utilities, railroads and airlines.

"Our portfolio tends to represent what has a low p/e at the moment," Ms. McMurtie said, "so it changes a lot."

She said the Bell operating companies have been among Provident's best performers over the past five years. "A lot of our best money has been made because we haven't lost it," she added.

Provident's returns have been ensconced above the S&P 500 in every time period in the PIPER survey.

First Wisconsin National Bank, Madison, placed third over the 10-year period with 19.7%.

The $130 million fund concentrates on small companies that are growing faster than the economy. It is heavily overweighted in financial and retail companies.

Some of its biggest holdings are **Columbus Mills, Laidlaw Transportation** and **Crump Cos.**, an insurance company.

First Wisconsin-Madison has had stock in Columbus and Crump for six and five years, respectively. "We hold on to our winners," said J. Scott Harkness, senior vice president and chief investment officer. ■

| | |
|---|---|
| Nationwide Life Ins., Ohio | 16.5 |
| Manufacturers Detroit | 16.4 |
| First of America, Mich. | 16.4 |
| C&S Trust Florida (EB) | 16.4 |
| Principal Mutual Life, Iowa | 16.4 |
| Massachusetts Mutual | 16.2 |
| Bank of Virginia (EB) | 16.2 |
| First Interstate of Nevada (EB) | 16.2 |
| MTrust (Growth), Texas | 16.0 |
| Employers Life of Wausau (1) | 16.0 |
| Home Life, N.Y. | 15.9 |
| Equitable Life (4), N.Y. | 15.8 |
| AmSouth, Ala. | 15.6 |
| Fifth Third Bank (EB), Ohio | 15.6 |
| Aetna Life & Casualty, Conn. | 15.6 |
| First Interstate of Wash. | 15.2 |
| Equitable Life (18), N.Y. | 15.1 |
| Natl. City Cleveland, Ohio | 15.1 |
| Penn Mutual Life (A), Pa. | 15.0 |
| First Jersey Natl., N.J. | 14.9 |
| Philadelphia Natl., Pa. | 14.9 |
| IAA Trust Co. (C), Ill. | 14.9 |
| Colorado Natl. Bank | 14.9 |
| Republic Natl., Dallas | 14.9 |
| United of Denver | 14.8 |
| Lake Shore Natl., Ill. | 14.7 |
| Bank of Tokyo, N.Y. | 14.7 |
| Citytrust (E1), Conn. | 14.7 |
| Texas Commerce (Diver.) | 14.7 |
| CIGNA Corp. (A), Conn. | 14.7 |
| **Standard & Poor's 500** | **13.6** |

Reprints of articles appearing in *Pensions & Investment Age* are available.

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# Users of sector rotation listed

About 23.3%, or 129, of 552 investment managers surveyed by *Pensions & Investment Age* list sector rotation as part of their bond investment approach.

These managers move from government bonds to corporate bonds or agency bonds depending upon the interest rates each of these sectors is offering, or is expected to offer. For example, if corporate bonds are carrying higher interest rates than usual relative to government or agency bonds, sector rotational managers will move more of their assets into corporate bonds and reduce their commitments to the other securities. Sector rotational managers have much historical data on the normal interest-rate relationships.

Sixty-three of sector rotation managers have more than $1 billion under management.

What follows is a list of those managers. Information was compiled by the managers for *P&I Age*'s May 19 special issue on the nation's leading investment advisers.

Managers using a sector rotation fixed-income style*

| | |
|---|---|
| Alexander, Scriver & Associates | 46 |
| Ambs Investment Counsel | 59 |
| American Fletcher National Bank | 3,740 |
| Amev Asset Mgmt. | 50 |
| Atalanta/Sosnoff Capital | 2,638 |
| Baillie Gifford Overseas | 55 |
| Bank of California | 240 |
| Bankers Trust-Investment Mgmt. | 41,810 |
| Baring International Investment | 819 |
| Barnett Banks Trust Co. | 500 |
| Barrow, Hanley, Mewhinney | 3,109 |
| Bartlett & Co. | 160 |
| P.E. Becker | 96 |
| Sanford C. Bernstein & Co. | 6,000 |
| Bernstein-Macaulay | 2,140 |
| Boatmen's First Natl., Kansas City | 920 |
| C&S Investment Advisors | 1,650 |
| C.S. McKee & Co. | 800 |
| CMB Investment Counselors | 2,570 |
| James T. Cambier Investments | 2 |
| Campbell, Newman, Pottinger | 88 |
| Capital Research and Mgmt. | 2,150 |
| Capital Trust Co. | 279 |
| Capitol Bank & Trust Co. | 211 |
| Centerre Trust Co. of St. Louis | 3,657 |
| Chase Investors Mgmt. | 15,000 |
| Comerica Bank, Detroit | 1,500 |
| Commerce Investment Mgmt. | 38 |
| Connecticut National Bank | 2,230 |
| CoreStates Investment Advisers | 1,040 |
| Crocker Investment Mgmt. | 1,600 |
| Cumberland Advisors Pty. | 50 |
| Denver Investment Advisors | 1,680 |
| Dodge & Cox | 3,001 |
| Dreyfus Mgmt. | 1,986 |
| Duff & Phelps Investment Mgmt. | 2,443 |
| Equitable Investment Mgmt. | 6,813 |
| Ferguson & Wellman | 400 |
| Fiduciary Mgmt. Associates | 348 |
| Fiduciary Trust Co. of New York | 8,823 |
| Fifth Third Bank | 1,372 |
| Financial Trust Co. | 76 |
| First Fidelity Bank, New Jersey | 1,800 |
| First Interstate Bank of California | 2,090 |
| First Interstate Bank of Denver | 1,722 |
| Fischer, Francis, Trees & Watts | 7,500 |
| Gardner and Preston Moss | 2,885 |
| Glenmede Trust Co. | 2,600 |
| Greenspan O'Neil Associates | 64 |
| The Griffin Group | 2,652 |
| Hagler, Mastrovita & Hewitt | 1,100 |
| Hibernia National Bank | 2,593 |
| Huntington National Bank | 370 |
| IDS Equity/Fixed-Income Advisors | 2,835 |
| Indiana Investment Advisors | 2,374 |
| Invesco Capital Mgmt. | 7,900 |
| Investment Advisors | 291 |
| Investment Counselors of Maryland | 1,166 |
| Investment and Capital Mgmt. | 941 |
| Investors Mgmt. Services | 79 |
| Johnson Investment Counsel | 137 |
| D. Jones & Co. | 1 |
| William J. Kautz Associates | 40 |
| Kemper Financial Services | 3,374 |
| Kingsley, Jennison, McNulty | 581 |
| Lehman Mgmt. | 9,459 |
| MPT Associates | 600 |
| MacKay-Shields Financial | 3,107 |
| Manufacturers Natl. of Detroit | 1,258 |
| Marinvest | 976 |
| Massachusetts Financial Services | 2,671 |
| MassCo Investment Mgmt. | 161 |
| Mercantile Trust Co. | 2,800 |
| Merchants National Bank | 60 |
| Merganser Capital Mgmt. | 390 |
| Miller Anderson & Sherrerd | 8,400 |
| NC Capital Mgmt. Group | 490 |
| National Bank of Detroit | 5,703 |
| National City Bank of Cleveland | 2,800 |
| National Investment Services | 4,000 |
| New Mexico Capital Mgmt. | 27 |
| Norstar Investment Advisory | 588 |
| Northern Trust Corp. | 7,571 |
| Norwest Capital Mgmt. | 2,039 |
| Palm Beach Capital Mgmt. | 14 |
| Penmark Investments | 130 |
| Pension Mgmt. | 25 |
| Piedmont Capital Mgmt. Associates | 12 |
| Primco Capital Mgmt. | 608 |
| Professional Asset Mgmt. | 24 |
| Providence Group Investment | 37 |
| Provident Capital Mgmt. | 2,587 |
| RNC Capital Mgmt. | 420 |
| Reams Asset Mgmt. | 720 |
| Retirement System for Savings | 538 |
| Riggs Natl. Bank of Washington | 525 |
| Robshaw & Cheskin Associates | 39 |
| Rosenberg Capital Mgmt. | 6,400 |
| SCNC Advisory | 563 |
| STW Fixed Income Mgmt. | 1,465 |
| Fayez Sarofim & Co. | 8,275 |
| M.D. Sass Investors Services | 1,949 |
| Scudder, Stevens & Clark | 10,677 |
| Securities Counselors of Iowa | 120 |
| Security Pacific Investment | 4,345 |
| Alan G. Seidner Co. | 64 |
| Donald Smith & Co. | 517 |
| Smith Barney, Harris Upham & Co. | 701 |
| Sovran Bank | 521 |
| Sovran Capital Mgmt. | 987 |
| Standish, Ayer & Wood | 2,386 |
| Stein Roe & Farnham | 4,600 |
| Stuyvesant Capital Mgmt. | 102 |
| TSA Capital Mgmt. | 605 |
| Tenneco Asset Mgmt. | 750 |
| Trident Investment Mgmt. | 560 |
| Trusco Capital Mgmt. | 2,608 |
| Union Planters Natl. Bank | 330 |
| United Security Trust Co. | 300 |
| United States Trust, Boston | 305 |
| United States Trust, New York | 1,800 |
| Vanguard Group | 3,892 |
| Vaughan, Nelson, Scarborough | 1,620 |
| Venture Capital Fund of New England | 27 |
| Wachovia Bank & Trust Co. | 2,971 |
| Warburg Investment Mgmt. | 280 |
| Wellington/Thorndike, Doran | 8,257 |
| Western Asset Mgmt. | 2,214 |

**Figures refer to total tax-exempt assets under management, $ millions.*


The portfolio management business is more vulnerable than ever to marketing issues:

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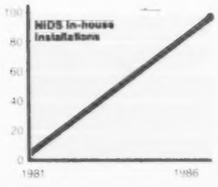


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# Mutual funds target growth

WASHINGTON — The prospect for continued growth is the challenge and the opportunity for the mutual fund industry, said Richard M. Reilly, the newly installed chairman of the Investment Company Institute, Washington.

"While it's true that we've made substantial inroads, the total number of investors still represents a relatively small percent of the overall market," said Mr. Reilly, who succeeds George F. Reed.

"Our biggest challenge is also our biggest opportunity: to make certain the public understands the products they are getting, so their expectations will be realistic."

Mr. Reilly also said the market is virtually unlimited as long as investors understand what can and cannot be delivered.

The mutual fund industry itself has grown to more than $650 billion from $45.8 billion a decade ago.

The ICI is the national association of the American mutual fund industry.

Its membership includes 1,660 open-end investment companies, their investment advisers and principal underwriters. The institute's mutual fund membership comprises about 90% of total industry assets and some 25 million shareholders. ■

# Few use quantitative analysis

About 8%, or 53 of 663, of equity managers surveyed by *Pensions & Investment Age* list quantitative analysis as part of their investment approach.

Managers using quantitative methods to select investments typically subscribe to the Modern Portfolio Theory, which says there is a definite relationship between risk and return and that the market is very efficient at digesting information about stocks and adjusting prices to reflect that information.

Almost one-third of equity managers citing MPT analysis have more than $1 billion in tax-exempt assets under management.

Information was compiled from questionnaires submitted by the managers for *P&I Age's* May 19 special issue on the nation's leading investment advisers.

Managers using MPT approach*

| | |
|---|---|
| Alexander, Scriver & Associates | 46 |
| Analytic Investment | 956 |
| Aronson & Fogler | 50 |
| BBL Capital Mgmt. | 436 |
| Bankers Trust-Investment Mgmt. | 41,810 |
| Barnett Banks Trust Co. | 500 |
| Bernstein-Macaulay | 2,140 |
| Boatmen's National Bank | 4,500 |
| Boston Co. | 6,156 |
| Brignoli, Curley & Roberts | 501 |
| Cedar Mill Associates | 31 |
| Donald P. Chiras | 54 |
| Chittenden Bank Trust | 183 |
| Delta Financial | 92 |
| Financial Aims | 46 |
| First Investment Mgmt. | 1,290 |
| First Quadrant | 45 |
| Fiske Capital Mgmt. | 86 |
| Franklin Portfolio Associates | 1,417 |
| Gateway Investment Advisers | 64 |
| Gradison & Co. | 60 |
| Grantham, Mayo, Van Otterloo | 1,205 |
| Greenwich Monitrend | 60 |
| Harris Trust and Savings Bank | 8,400 |
| Investment Management | 8 |
| Tom Johnson Investment Mgmt. | 512 |
| Knowles & Hazlett | 3 |
| MPT Associates | 600 |
| Massco Investment Mgmt. | 161 |
| Matrix Capital Mgmt. | 255 |
| Mellon Bank | 12,238 |
| Miller, Anderson & Sherrerd | 8,400 |
| NSR Asset Management | 374 |
| New Japan Capital Mgmt. | 0 |
| Noddings-Calamos Asset Mgmt. | 62 |
| Northern Trust | 7,571 |
| NorthWest Quadrant | 30 |
| Norwest Capital Mgmt. | 2,039 |
| Pittsburgh National Bank | 2,927 |
| Portfolio Capital Mgmt. | 76 |
| Portfolio Group | 240 |
| QCI | 80 |
| Reiser-Builder | 26 |
| SCNC Advisory | 563 |
| M.D. Sass Investors Services | 1,949 |
| Skye Investment Advisors | 362 |
| TSA Capital Mgmt. | 605 |
| United States Trust | 305 |
| Vanguard Group | 3,892 |
| Warburg Investment Mgmt. | 280 |
| Wedge Capital Mgmt. | 125 |
| Wells Fargo Investment | 29,520 |
| Zavanelli Portfolio Research | 11 |

**Figures refer to total tax-exempt assets under management, $ millions.*

## Emerging growth managers listed

About 12.5%, or 83 of 663, equity managers surveyed by *Pensions & Investment Age* list emerging growth stock as part of their investment approach.

Managers using emerging growth invest in young companies they believe will be successful. Such a company generally is evaluated on the type of product or service it offers, the reputation of its management and its earning potential.

Almost one-quarter of equity managers citing emerging growth stock have more than $1 billion in tax-exempt assets under management.

Information was compiled from questionnaires submitted by the managers for *P&I Age's* May 19 special issue on the nation's leading investment management firms.

Managers using emerging growth stocks*

| | |
|---|---|
| AFC Advisory Services | 6 |
| American Capital Mgmt. | 38 |
| American Fund Advisors | 12 |
| Andron Cechettini & Associates | 70 |
| Ariston Capital Mgmt. | 16 |
| E.W. Axe & Co. | 146 |
| BA Investment Mgmt. | 592 |
| BMI Capital | 260 |
| Baillie Gifford Overseas | 55 |
| Bernstein-Macaulay | 2,140 |
| William Blair & Co. | 615 |
| Buffalo Capital | 7 |
| California First Capital Mgmt. | 102 |
| Chase Investors Mgmt. | 15,000 |
| Connecticut National Bank | 2,230 |
| Connors Investor Services | 51 |
| Constitution Capital Mgmt. | 2,367 |
| Martin Currie | 445 |
| European-American Securities | 0 |
| FMI Capital Mgmt. | 32 |
| First Commercial Bank | 820 |
| First Maryland Asset Mgmt. | 560 |
| First Security Investment Mgmt. | 800 |
| First Wisconsin Madison | 622 |
| Friess Associates | 152 |
| Froley, Revy Investment | 306 |
| Furgueson Capital Mgmt. | 11 |
| GIMI | 50 |
| Kenneth J. Gerbino & Co. | 9 |
| Gintel Equity Mgmt. | 77 |
| Growth Stock Outlook | 117 |
| Hambrecht & Quist Equity Mgmt. | 31 |
| IDS Growth Spectrum Advisors | 102 |
| Investment & Capital Mgmt. | 941 |
| Jenswold, King & Associates | 55 |
| Johnson, Valliant & Broadfoot | 207 |
| Jundt/Capen Associates | 775 |
| Kangyo Kakumaru Capital Mgmt. | 0 |
| William J. Kautz Associates | 40 |
| Kleinwort Benson International | 151 |
| Lieber & Co. | 556 |
| MacKay-Shields Financial | 3,107 |
| Macheski/Pappas Asset Mgmt. | 0 |
| McCowan Associates | 1,125 |
| Morison Asset Mgmt. | 151 |
| Mt. Auburn Mgmt. | 12 |
| National Investment Services | 4,000 |
| Newport Pacific Mgmt. | 2 |
| Nicholas-Applegate Capital | 478 |
| Nikko & Associates | 32 |
| Northern Trust | 7,571 |
| Norwest Capital Mgmt. | 2,039 |
| O'Herron & Co. | 76 |
| PM Portfolio Mgmt. | 79 |
| Pacific Century Group | 250 |
| Parmelee Mgmt. | 36 |
| Pilgrim, Baxter, Hoyt & Greig | 855 |
| T. Rowe Price Associates | 7,375 |
| Providence Group Investment | 37 |
| Provident Investment Counsel | 1,355 |
| Reimer & Koger | 766 |
| Reiser-Builder | 26 |
| Retirement System for Savings | 538 |
| Rosenberg Capital Mgmt. | 6,400 |
| Rothschild Co. | 500 |
| Rothschild Securities | 85 |
| Ronald Sadoff Associates | 35 |
| Schroder Capital Mgmt. | 719 |
| Scudder, Stevens & Clark | 10,677 |
| Simpson Capital Mgmt. | 7 |
| Somerset Asset Mgmt. | 18 |
| Stein Roe & Farnham | 4,600 |
| Technological Investors Mgmt. | 20 |
| Texas Commerce Bank | 2,686 |
| Tower Capital Mgmt. | 183 |
| United Security Trust | 300 |
| Vanguard Group | 3,892 |
| Warburg, Pincus Counsellors | 1,244 |
| Weiss, Peck & Greer | 2,600 |
| William D. Witter | 323 |
| Wright Investors' Service | 2,301 |
| Zavanelli Portfolio Research | 11 |

**Figures refer to total tax-exempt assets under management, $ millions.*

The 1,000 largest tax-exempt funds will be listed in the Jan. 26 issue. Details are given on asset size, asset mix and investment managers.


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# Buyers of low p/e stocks told

About 29.3%, or 194, of 663 equity managers surveyed by *Pensions & Investment Age* list the purchase of stocks with low price-earnings ratios as part of their investment approach.

The p/e ratio, the price of stock divided by its earnings per share, gives investors an idea of how much they are paying for a company's earning power.

Low p/e stocks tend to be in low-growth or mature industries, in stock groups that have fallen out of favor, or in blue-chip companies with long records of earnings stability and regular dividends.

Investors using this approach search for companies where some development has made the low price relative to earnings inappropriate, e.g., an unnoticed change for the better in management.

They expect the market in general to eventually recognize and reward this change.

Almost one-quarter of equity managers citing purchase of low p/e stocks have more than $1 billion in tax-exempt assets under management.

Information was compiled from questionnaires submitted by the managers for *P&I Age*'s May 19 special issue on the nation's leading investment advisers.

Managers using low p/e stocks*

| | |
|---|---|
| Abel/Noser | 175 |
| Adams Express | 0 |
| Addison Capital Mgmt. | 10 |
| Aegis Capital Mgmt. | 12 |
| Agepasa | 0 |
| Ambs Investment Counsel | 59 |
| American Asset Mgmt. | 81 |
| American Fletcher National Bank | 3,740 |
| AmeriTrust | 5,404 |
| Argus Investment Mgmt. | 64 |
| Ariel Capital Mgmt. | 26 |
| Ariston Capital Mgmt. | 16 |
| Armour, Douglas Capital Mgmt. | 13 |
| Aronson & Fogler | 50 |
| Ashland Mgmt. | 234 |
| Atalanta/Sosnoff Capital | 2,638 |
| BA Investment Mgmt. Int'l. | 592 |
| BBL Capital Mgmt. | 436 |
| BMI Capital | 260 |
| Bailard, Biehl & Kaiser | 60 |
| Baring International | 819 |
| Barnett Banks Trust | 500 |
| Barrow, Hanley, Mewhinney | 3,109 |
| Bear Stearns Asset Mgmt. | 1,002 |
| P.E. Becker | 96 |
| Beese Fulmer & Pincoe | 16 |
| Sanford C. Bernstein | 6,000 |
| Bernstein-Macaulay | 2,140 |
| Boston Co. | 6,156 |
| C&S Investment Advisors | 1,650 |
| James T. Cambier Investments | 2 |
| CMB Investment Counselors | 2,570 |
| Campbell, Newman, Pottinger | 88 |
| Capital Advisors | 220 |
| Capital Mgmt. Int'l. | 119 |
| Capital Technology | 46 |
| Capitol Bank & Trust | 211 |
| Carret & Co. | 88 |
| Cashman, Farrell & Associates | 996 |
| Chase Investors Mgmt. | 15,000 |
| Churchill Mgmt. | 75 |
| Clifford Associates | 5 |
| Clutinger, Williams & Verhoye | 50 |
| Composite Research & Mgmt | 40 |
| Connors Investor Services | 51 |
| Constitution Capital Mgmt. | 2,367 |
| Continental Bank | 1,807 |
| Corbyn Associates | 90 |
| Crambilt & Carney | 302 |
| DP Asset Mgmt. | 56 |
| Davenport Asset Mgmt. | 32 |
| Dawes Investment Service | 33 |
| Delafield, Harvey, Tabell | 88 |
| Delaware Investment Advisers | 9,094 |
| Denver Investment Advisors | 1,680 |
| Dewey Square Investors | 2,900 |
| Dreman & Embry | 732 |
| Dreyfus Mgmt. | 1,986 |
| Duff & Phelps Investment Mgmt. | 2,443 |
| Dale K. Ehrhart | 35 |
| FMI Capital Mgmt. | 32 |
| Farmer & Lang | 71 |
| Fenner & Williams | 15 |
| Ferguson & Wellman | 400 |
| Fiduciary Mgmt. | 348 |
| Fifth Third Bank | 1,372 |
| Financial Aims | 46 |
| First Boston Asset Mgmt. | 67 |
| First Interstate Bank of Denver | 1,722 |
| First Interstate Bank of Oregon | 823 |
| First Manhattan Capital Mgmt. | 1,300 |
| First National Bank of Cincinnati | 383 |
| First Quadrant | 45 |
| First Union/Capital Mgmt. | 1,738 |
| First of American Investment Mgmt. | 691 |
| Franklin Asset Mgmt. | 40 |
| Friess Associates | 152 |
| Furman Selz Capital Mgmt. | 215 |
| Gardner and Preston Moss | 2,885 |
| Kenneth J. Gerbino | 9 |
| Gintel Equity Mgmt. | 77 |
| Glendeven Mgmt. and Research | 118 |
| Glinkenhaus & Co. | 1 |
| Gradison & Co. | 60 |
| Grantham, Mayo, Van Otterloo | 1,205 |
| R.W. Graybill | 26 |
| David J. Greene | 1,082 |
| Growth Stock Outlook | 117 |
| Gulf Investment Mgmt. | 128 |
| Hahn Holland & Grossman | 226 |
| Harbor Capital Mgmt. | 859 |
| Harris Trust and Savings Bank | 8,400 |
| Hibernia National Bank | 2,593 |
| Institutional Portfolio Services | 50 |
| Investment Counsel | 424 |
| Irving Trust | 3,400 |
| James River Capital Mgmt. | 20 |
| Jenswold, King & Associates | 55 |
| Tom Johnson Investment Mgmt. | 512 |
| D. Jones & Co. | 1 |
| KAS Investment Consultants | 6 |
| William J. Kautz Associates | 40 |
| Kennedy Capital Mgmt. | 59 |
| Kleinwort Benson International | 151 |
| Kronwall Capital Mgmt. | 62 |
| Legg Mason Capital Mgmt. | 82 |
| Lehman Mgmt. | 9,459 |
| Leonard Mgmt. | 2 |
| Lexington Mgmt. | 575 |
| Leylegian Investment Mgmt. | 180 |
| Liberty National Bank & Trust | 894 |
| Lieber & Co. | 556 |
| Lindner Mgmt. | 77 |
| Macheski/Pappas Asset Mgmt. | 0 |
| Manufacturers Natl. of Detroit | 1,258 |
| Marinvest | 976 |
| Marsh & Cunningham | 36 |
| MassCo Investment Mgmt. | 161 |
| McCullough, Andrews & Cappielo | 385 |
| McGlinn Capital Mgmt. | 1,142 |
| C.S. McKee & Co. | 800 |
| Mercator Asset Mgmt. | 10 |
| Merchants National of Muncie | 126 |
| Merrill Lynch Asset Mgmt. | 2,450 |
| Michigan National Investment | 422 |
| Miller, Anderson & Sherrerd | 8,400 |
| Morgan Grenfell Investment | 2,075 |
| NWQ Investment Mgmt. | 437 |
| National Bank of Washington | 837 |
| Neuberger & Berman | 5,073 |
| New Mexico Capital Mgmt. | 27 |
| Newbold's Asset Mgmt. | 1,232 |
| Ohio Co. | 258 |
| Oregon Bank | 61 |
| PCM International | 422 |
| Palley-Needelman Asset Mgmt. | 33 |
| Palm Beach Capital Mgmt. | 14 |
| Parmelee Mgmt. | 36 |
| Pell, Rudman & Co. | 20 |
| Penmark Investments | 130 |
| Petroleum & Resources | 0 |
| Portfolio Capital Mgmt. | 76 |
| Portfolio Group | 240 |
| Princeton Asset Mgmt. | 11 |
| Provident Capital Mgmt. | 2,587 |
| Reams Asset Mgmt. | 720 |
| Reich & Tang | 948 |
| RepublicBank Dallas | 5,337 |
| Retirement System for Savings | 538 |
| Riggs National of Washington | 525 |
| Rothschild Co. | 500 |
| SAFECO Asset Mgmt. | 425 |
| Ronald Sadoff Associates | 35 |
| Schafer Capital Mgmt. | 925 |
| A.R. Schmeidler | 70 |
| Seattle Trust | 108 |
| Securities Counselors of Iowa | 120 |
| Shaw Mgmt. | 40 |
| Shearson Asset Mgmt. | 1,354 |
| Sheffield & Co. | 9 |
| Simmons Financial Mgmt. | 10 |
| Donald Smith & Co. | 517 |
| Smith Barney, Harris Upham | 701 |
| Smoot, Miller, Cheney | 1,180 |
| Somerset Asset Mgmt. | 18 |
| Sovran Bank | 521 |
| Sovran Capital Mgmt. | 987 |
| George B. Springman | 150 |
| Stock Yards Bank & Trust | 240 |
| Strong/Corneliuson Capital | 1,297 |
| Sutro Capital Mgmt. | 33 |
| Tallasi Mgmt. | 415 |
| Texas Commerce Bank | 2,686 |
| Thompson/Rubinstein Investment | 123 |
| Trendstat Capital Mgmt. | 17 |
| Trident Investment Mgmt. | 560 |
| Trinity Investment Mgmt. | 2,524 |
| Tukman Capital Mgmt. | 170 |
| Union National Trust | 60 |
| Unity Mgmt. | 390 |
| ValueQuest Ltd. | 157 |
| Van Deventer & Hoch | 325 |
| Vanguard Group | 3,892 |
| Virginia Investment Counselors | 150 |
| David E. Ware & Associates | 7 |
| Wedge Capital Mgmt. | 125 |
| Wagstaff, Lodefink & Associates | 6 |
| Warburg Investment Mgmt. | 371 |
| G. Waring Boys Co. | 50 |
| Wasatch Advisors | 107 |
| Weiss, Peck & Greer | 2,600 |
| Wentworth Hauser & Violich | 2,260 |
| Wilmington Trust | 10,000 |
| Winrich Capital Mgmt. | 143 |

**Figures refer to total tax-exempt assets under management, $ millions.*

Rankings of investment banking firms: Jan. 12.


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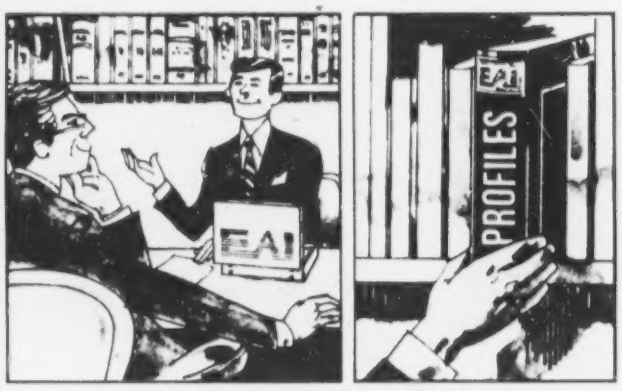


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# Equity firms with sector rotation style

About 21%, or 137, of 663 equity managers surveyed by *Pensions & Investment Age* list sector rotation as part of their investment approach.

A sector is a particular group of stocks affected in the same way by economic developments. As the economy moves through different phases from recession to recovery, to boom, to decline, different business sectors are affected at different times. Sector rotators attempt to determine which sectors of the stock market will be positively affected by the next development in the economy and buy those stocks in advance. They attempt to sell those stocks at their peak and rotate into the stocks that will be positively affected by the next stage of the economic cycle.

One-third of equity managers citing the sector rotational style have more than $1 billion in tax-exempt assets under management.

Information was compiled from questionnaires submitted by the managers for *P&I Age*'s May 19 special issue on the nation's leading investment advisers.

Managers using a sector rotational style for equities*

| | |
|---|---|
| ASB Capital Mgmt. | 3,651 |
| American Fletcher National | 3,740 |
| Ariston Capital Mgmt. | 16 |
| Atalanta/Sosnoff Capital | 2,638 |
| BA Investment Mgmt. | 4,342 |
| BBL Capital Mgmt. | 436 |
| Julius Baer Investment Mgmt. | 120 |
| Bank of Delaware | 180 |
| Bank of New York | 2,200 |
| Barnett Banks Trust | 500 |
| Sanford C. Bernstein & Co. | 6,000 |
| Bernstein-Macaulay | 2,140 |
| Boatmen's Bank, Kansas City | 920 |
| Boston Co. | 6,156 |
| CMB Investment Counselors | 2,570 |
| Campbell Advisors | 750 |
| Campbell, Newman, Pottinger | 88 |
| Capital Advisors | 220 |
| Capital Mgmt. International | 119 |
| Capital Trust Co. | 279 |
| Chase Investors Mgmt. Corp. | 15,000 |
| Clutinger, Williams & Verhoye | 50 |
| Columbia Mgmt. | 3,332 |
| Columbus Circle Investors | 410 |
| Commerce Bank of Kansas City | 289 |
| Commerce Investment Mgmt. | 38 |
| Computime Institutional Services | 3 |
| Concord Capital Mgmt. | 1,255 |
| Crocker Investment Mgmt. | 1,600 |
| Crocker National Bank | 791 |
| John M. Cunningham | 8 |
| Martin Currie | 445 |
| Davis, Weaver & Mendel | 25 |
| Dawes Investment Service | 33 |
| Delaware Investment Advisers | 9,094 |
| Endowment Mgmt. & Research | 1,554 |
| Equitable Bank | 160 |
| Essex Investment Mgmt. | 775 |
| Ferguson & Wellman | 400 |
| Fiduciary & Corporate Counsel | 7 |
| Fiduciary Mgmt. Associates | 348 |
| Fiduciary Trust Co. of N.Y. | 8,823 |
| Financial Trust Co. | 76 |
| First Asset Mgmt. | 1,581 |
| First City Natl. of Houston | 606 |
| First Natl. of Cincinnati | 383 |
| First Tennessee Investment Mgmt. | 974 |
| First Trust Co. | 6,500 |
| Gardner and Preston Moss | 2,885 |
| Geewax, Terker & Co. | 850 |
| Glendeven Mgmt. & Research | 118 |
| Greenspan O'Neil Associates | 64 |
| Hahn Holland & Grossman | 226 |
| Hellman, Jordan Mgmt. | 1,153 |
| Hibernia National Bank | 2,593 |
| Hutchinson Natl. Bank & Trust | 55 |
| IDS Equity/Fixed-Income Advisors | 2,835 |
| Institutional Capital | 893 |
| Institutional Portfolio Services | 50 |
| INVESCO Capital Mgmt. | 7,900 |
| Investment Advisers | 3,700 |
| Investment Advisors | 291 |
| Investment Counsel | 424 |
| Investment & Capital Mgmt. | 941 |
| Investors Mgmt. Services | 79 |
| Jamison, Eaton & Wood | 46 |
| Tom Johnson Investment Mgmt. | 512 |
| D. Jones & Co. | 1 |
| Kemper-Murray Johnstone | 216 |
| Kennedy Associates | 2,908 |
| Luther King Capital Mgmt. | 1,000 |
| Kronwall Capital Mgmt. | 62 |
| C.J. Lawrence Mgmt. | 146 |
| Lehman Mgmt. | 9,459 |
| Leylegian Investment Mgmt. | 180 |
| Loomis Sayles & Co. | 12,994 |
| Lowe, Brockenbrough, Tierney | 685 |
| MSecurities Corp. | 695 |
| MacKay-Shields Financial | 3,107 |
| Manufacturers Hanover | 18,383 |
| Massachusetts Financial Services | 2,671 |
| MassCo Investment Mgmt. | 161 |
| McGlinn Capital Mgmt. | 1,142 |
| Mercantile Trust | 2,800 |
| MidAmerica Mgmt. | 10 |
| Miller Anderson & Sherrerd | 8,400 |
| J.P. Morgan Investment | 38,866 |
| Morgan Stanley Asset Mgmt. | 6,031 |
| Mt. Auburn Mgmt. | 12 |
| NCNB National | 2,701 |
| NSR Asset Mgmt. | 374 |
| Neuberger & Berman | 5,073 |
| Norstar Investment Advisory | 588 |
| Pell, Rudman & Co. | 20 |
| Puget Sound National | 12 |
| QCI | 80 |
| RNC Capital Mgmt. | 420 |
| Reimer & Koger | 766 |
| Retirement System for Savings | 538 |
| Riggs National of Washington | 525 |
| Safian Investment Research | 10 |
| Fayez Sarofim & Co. | 8,275 |
| M.D. Sass Investors Services | 1,949 |
| Security Pacific Investment | 4,345 |
| Shearson Asset Mgmt. | 1,354 |
| Shields Asset Mgmt. | 2,300 |
| Simpson Capital Mgmt. | 7 |
| Sirach/Flinn, Elvins Capital Mgmt. | 414 |
| Sit Investment Associates | 1,420 |
| Smith Barney, Harris Upham | 701 |
| Stein Roe & Farnham | 4,600 |
| Summit Mgmt. | 148 |
| Sun Bank | 600 |
| Sutro Capital Mgmt. | 33 |
| TSA Capital Mgmt. | 605 |
| Tallasi Mgmt. | 415 |
| Tenneco Asset Mgmt. | 750 |
| Texas American Investment Mgmt. | 622 |
| Thompson, Siegel & Walmsley | 1,800 |
| Todd Investment Advisors | 1,922 |
| Trinity Investment Mgmt. | 2,524 |
| Trust Company of the West | 8,903 |
| Union Planters National | 330 |
| United States Trust | 305 |
| Value Investors | 1,404 |
| Value Line Asset Mgmt. | 1,263 |
| Vanguard Group | 3,892 |
| Virginia Investment Counselors | 150 |
| Wachovia Bank & Trust | 2,971 |
| Wakley & Roberton | 66 |
| Warburg Investment Mgmt. | 280 |
| Wentworth Hauser & Violich | 2,260 |
| Wheat Investment Advisors | 326 |
| Winchester Capital Mgmt. | 186 |
| Wolf, Webb, Burk & Campbell | 350 |
| Yamaichi Capital Mgmt. | 53 |

**Figures refer to total tax-exempt assets under management, $ millions.*

# Sales of funds at record pace

WASHINGTON — Sales of stock, bond and income mutual funds totaled $16.5 billion in September as the industry rolled toward the end of a record year, according to the Investment Company Institute, Washington, the national association of the mutual fund industry.

Bond and income funds led the way again as total sales for the first nine months of 1986 hit $157.5 billion, more than double the comparable figure of $77 billion for the first nine months of 1985.

Total sales for all of 1985 were a then-record $114.3 billion.

Total sales for August 1986 were $18.3 billion, and the comparable sales figure for September 1985 was $9.5 billion. Third-quarter sales totaled $53.1 billion compared to $30.8 billion for the third quarter of 1985.

These figures represent sales of all stock, bond and income funds, but exclude the short-term funds (money market and short-term municipal bonds), which are tracked by assets on a periodic basis.

Assets for all mutual funds totaled $676.8 billion, compared to $676.3 billion in August. ■

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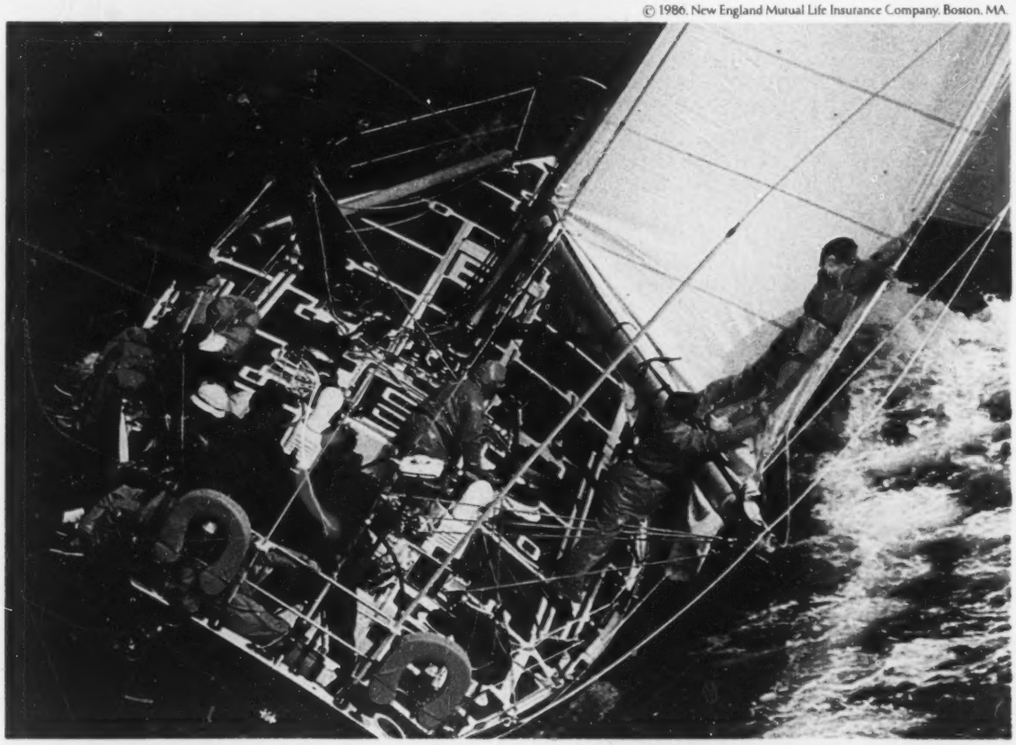

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## Pentagon to get credit from UTC

By Barry B. Burr

United Technologies Corp. has agreed to provide credits of $20 million to the Department of Defense because one of its pension plans reached the full-funded limitation status, according to the Air Force Contract Management Division.

In addition, the Hartford, Conn.-based company proposed to provide another $70 million in credits, called "downward price adjustments" by the Air Force, should another of its pension plans meet the full-funded status, according to the Contract Management Division, which monitors large Air Force contractors from Kirtland Air Force Base, Albuquerque, N.M.

The United Technologies agreements are part of a broad Defense Department effort seeking to share in the saving contractors realize when their pension plans reach the full-funded status.

A United Technologies official confirmed the agreements and the credits. "But we won't go into any more detail than that," said Michele Farley, manager-financial public relations.

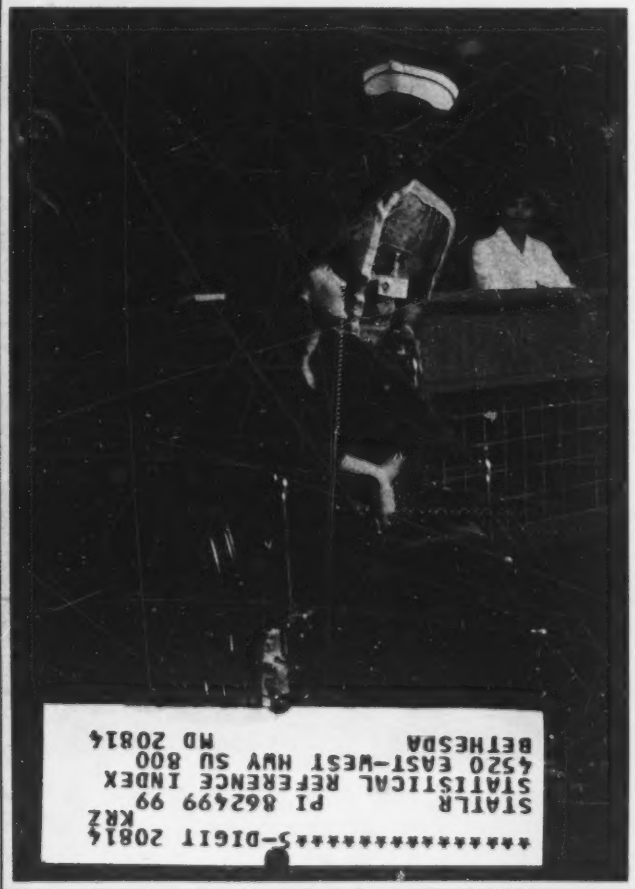
Kari J. Fielder, manager-public affairs at the Air Force division, said further details on the United Technologies credits were not immediately available.

Another contractor, Lockheed Corp., Los Angeles, re-

*Continued on page 48*

## Inside:

CORPORATE FINANCE: Maxicare Health Plans Inc., Los Angeles, has boosted its standing in the health maintenance organization industry — and its leverage — by acquiring two HMOs, HealthAmerica and HealthCare USA — page 29.




# Funds top targets, cut international

By Marlene Givant

Cumulative returns in excess of 150% have pushed many tax-exempt funds over their target allocations for international investment and, as a result, at least four have cut back on their overseas commitments.

- The $4.8 billion pension fund of United Technologies Corp., Hartford, Conn., has cut back its international equity investments by 41%.
- The $750 million fund of Scott Paper Co., Philadelphia, slashed its international equity investments by 50%.
- The $1.5 billion endowment fund of Stanford University, Palo Alto, Calif., cut the international equity allocation to the 8% to 12% range from more than 13% of assets.
- The $50 million Wenner Gren Foundation for Anthropological Research, New York, halved its international exposure to 15% from 30%.

Superb returns pushed the funds above their targets. The Morgan Stanley Capital International Europe Australia Far East index returned a cumulative 150% between Jan. 1, 1984 and June 30, 1986, and many managers performed above the index.

In early October, United Technologies' international equity portion was sliced back to a level below its 20% target.

"We were 70% overweighted (over the target) in international equities. Now we've cut back to neutral," said Beverly Hamilton, vice president-investor relations and pension investments at UT.

International equity apparently was reduced to about $340 million, or 15% of total equity, from its Sept. 30 level of $576 million, or 25.5% of total equity.

The fund has terminated Putnam International Advisors, Boston, and Batterymarch Financial Management, New York, but officials wouldn't explain why.

The amounts the firms had managed were not available and Ms. Hamilton declined to comment on the asset shift.

At Scott Paper, officials made a gradual shift to its target of 10% international equity from 20%, terminating two managers in the process, according to Andrew Yost, pension fund manager.

"We dramatically cut our exposure beginning in the first quarter (of 1986). Our exposure was approximately double our 10% target. We chose to terminate managers."

One of those terminated was Putnam International. He did not disclose the name of the other manager terminated.

Part of the assets taken from international equity will be shared among one or more of Scott Paper's domestic equity managers. The remainder will be placed in a "buying reserve" until the fund decides how to allocate

*Continued on page 51*

*"Bears make money, bulls make money, pigs don't make money."*

— Hiram F. Moody Jr., Wenner Gren Foundation

# Boesky falls, prices follow

By Marci Baker

Investment bankers and institutional "junk bond" managers predict immediate price concessions on high-yield offerings in the emotionally charged aftermath of the investigation of Drexel Burnham Lambert Inc. in connection with Ivan Boesky's insider trading activities.

But junk bond players believe the largest-ever insider trading scandal ultimately will help the market, causing the investment community to rely less on Drexel and more on other investment banking firms for underwriting and market-making.

Still, other investment houses don't appear to be jumping in to seize market share while Drexel is down. Investment bankers are taking a wait-and-see attitude, although most agree Drexel eventually won't dominate the market.

Meanwhile, high-yield money managers stepped up trading activities late last week as price declines in the market created buying opportunities.

"We're in the middle of a maelstrom right now," said one junk bond investor, who, like most of those contacted for this story, did not wish to be identified.

"Nobody knows what's going on. Long term, the fundamentals are in place so that this scandal is not going to hurt the market. The question right now is to what extent there's going to be a short-term volcanic eruption."

Mr. Boesky agreed Nov. 14 to pay a record $100 million to settle insider trading charges brought by the Securities and Exchange Commission in relation to his risk arbitrage activities. Since then, he has continued to cooperate with the SEC's widening investigation, causing fear on Wall Street about who else will be implicated.

Photo by Mary Herlehy

*Ivan Boesky and Drexel Burnham are feeling the backlash.*

SEC officials indicated they are exploring Mr. Boesky's ties to Drexel's junk bond operation. Michael Milken, the emperor of Drexel's junk bond kingdom, has been subpoenaed, along with several other Wall Street executives.

Drexel dominates the junk bond market and is best known for giving corporate raiders the means — via the high-yield, low-investment-grade bonds — to pursue takeovers.

Between $10 billion and $12 billion in junk bond securities were to hit the public and private placement markets before year end, many of them acquisition-related transactions under pressure to be completed before the tax laws change next year.

There's "no question" the uncertainty over the involvement of Drexel and Mr. Milken in the SEC probe "will have some impact on pricing," one banker said. "Some concessions will have to be made."

"No one wants to buy in a down market," another banker said. "We could be pricing something that could be worth a point or two less the following day."

Even so, there's little evidence that new deals are problem ridden.

Drexel completed a $1 billion offering Nov. 18 for Safeway Stores, Oakland, Calif., to finance its leveraged buy-out by management and leveraged buy-out specialists Kohlberg Kravis & Roberts, New York, with seemingly little difficulty. The deal — $750 million of senior subordinated 10-

*Continued on page 49*

## 10 largest employee benefit consultants

Ranked by benefit consulting revenue; 1985 estimates

| Name (Parent company) | Benefit consulting[1] Gross revenue ($ mils.) | Total operations Gross revenue ($ mils.) | Total operations Offices (U.S./total) | Total operations Employees |
|---|---|---|---|---|
| William M. Mercer-Meidinger Inc. (Marsh & McLennan Cos. Inc.) | 226 | 235 | 42/83 | 3,511 |
| Towers, Perrin, Forster & Crosby (independent) | 180 | 250 | 24/39 | 2,500 |
| The Wyatt Co.[2] (independent) | 151 | 175 | 28/51 | 2,010 |
| Johnson & Higgins (independent) | 101[3] | 113[3] | 41/71 | 900 |
| Hewitt Associates (independent) | 76.5 | 90 | 21/24 | 1,308 |
| Buck Consultants Inc. (independent) | 72 | 72 | 11/12 | 802 |
| Human Resource Management Group (Alexander & Alexander Services Inc.) | 70 | 105 | 40/68 | 1,180 |
| Frank B. Hall Consulting Co. (Frank B. Hall & Co. Inc.) | 50 | 56 | 40/50 | 800 |
| A.S. Hansen Inc. (independent) | 48.4 | 55 | 18/19 | 657 |
| Martin E. Segal Co. (independent) | 43[3] | 45[3] | 13/15 | 550 |

[1] Excludes revenue from claims administration compensation consulting, insurance commissions (where no consulting is involved) and other non-benefit consulting
[2] Year ended June 30, 1985
[3] Business Insurance estimates
Source: Business Insurance

# Mercer-Meidinger and Hansen eye merger

**By Chuck Paustian**

DEERFIELD, Ill. — Officials of A.S. Hansen Inc. and William M. Mercer-Meidinger Inc. are considering a merger that would strengthen Mercer-Meidinger's position as the largest benefit consulting firm in the world.

Mercer-Meidinger, New York, which has been on an acquisition path during the past several months, was selected by Hansen's directors over 11 other firms.

Sources said the other firms included Buck Consultants Inc., New York, and Saatchi & Saatchi Co. PLC, the British advertising firm and parent of Hay/Huggins Co. Inc., a Philadelphia benefits and actuarial consulting firm.

Details of the proposed merger, approved at a special meeting of Hansen's directors Nov. 17, were not available. The purchase price has been estimated, however, at $50 million to $55 million.

Steven W. Fargason, chief executive officer and chairman of the board of Deerfield, Ill.-based Hansen, and Howard Lund, Hansen's chief operating officer, will meet with Mercer-Meidinger representatives to work out the details. They will report their findings to Hansen's board of directors by Dec. 8.

Industry sources, including former Hansen employees, speculate the merger was prompted by a group of older employees wishing to cash out before retirement.

Melvin W. Borleis, vice president and director of benefit consulting at Hansen, gave another reason. "We're an ongoing enterprise and a major consulting firm, and we're doing this to explore business opportunities," said Mr. Borleis, adding the wishes of older employees, while taken into account, were not the driving force.

"My own opinion is that I don't see this as the case. In my mind, that (the older employees) is not the reason," he said.

If the proposed merger is consummated, Mercer-Meidinger would distance itself from its competition in terms of size.

According to statistics compiled by Business Insurance, a sister publication of *Pensions & Investment Age*, Mercer-Meidinger is the largest consulting firm — with $226 million in gross revenue from benefit consulting in 1985.

The others are Towers, Perrin, Forster & Crosby, New York, with $180 million in gross revenue from benefit consulting; The Wyatt Co., Washington, $151 million; and Johnson & Higgins, New York, $101 million.

Rankings based on gross revenue from total operations in 1985 showed TPF&C was the No. 1 firm with $250 million, followed by Mercer-Meidinger, $235 million; Wyatt, $175 million; and Johnson & Higgins, $113 million.

In 1985, Hansen had gross revenue from benefit consulting of $48.4 million and gross revenue from total operations of $55 million.

Mercer-Meidinger's position is further strengthened by other recent acquisitions, including Frederick Teague & Co., an executive compensation consulting firm in Chicago. The Teague acquisition was Mercer-Meidinger's third in the past six months (*P&I Age*, Oct. 13).

Mr. Borleis said Mercer-Meidinger's proposal was selected for

*Continued on page 50*

# Team approach

## N.Y. contracts aid minority firms

**By John Covaleski**

NEW YORK — Two New York public pension funds are implementing separate strategies to solve the dilemma facing some pension fund executives seeking minority firms for money management duties.

Officials of the New York State Common Retirement Fund and New York City Retirement Systems each approved separate plans in which small, minority-owned financial firms with limited pension fund exposure will work with larger, established firms to manage money for the funds.

In each case, the minority firm lacks either the experience or the track record to meet the funds' guidelines to qualify as sole managers, but the larger firms they are teamed with do meet the criteria. Inability to meet those requirements is a common problem among minority firms, which have not been in business long enough to establish the track records required by many pension executives (*Pensions & Investment Age*, March 31).

*Arthur W. White Jr., president and CEO of United Mutual*

At the New York State fund, $100 million in equity assets previously managed only by Equitable Investment Management Corp. now is run in a joint arrangement with Equitable and United Mutual Life Insurance Co. United Mutual is a black-owned firm in New York's Harlem with no previous pension fund investment experience, with $11.6 million in total assets and a negative return

*Continued on page 46*

# Comparison story on SEI incorrect

The Nov. 10 issue of *Pensions & Investment Age* incorrectly reported the median equity return of the SEI Funds Evaluation universe differed significantly from that of other universes, and that the difference might arise from SEI's methodology.

On a comparable basis, there was no significant difference between the SEI results and the results measured by other universes.

The error occurred because the equity-only results of balanced accounts for the SEI universe were compared with the equity-plus-cash results of the other universes. SEI publishes both equity-only results of balanced accounts and the equity-plus-cash results of equity funds.

The equity funds-plus-cash in the SEI universe, for example, had a Sept. 30 year-to-date median return of 12.2% compared with 11.9% for the Pensions & Investments' Performance Evaluation Report universe, 12.4% for the Trust Universe Comparison Service, 11.9% for the Frank Russell Co., 10.2% for the CDA Investment Technologies Inc. and 11.6% for the INDATA universe.

For all of 1985, the SEI universe median was 30% compared with 29.1% for PIPER, 28.5% for CDA, 31.4% for TUCS, 29.3% for Russell, and 29.5% for INDATA.

The methodology used by SEI in generating its median returns would have no adverse impact on the returns. SEI gathers its performance figures from pension fund custodians and the sample from which the median returns are calculated is selected so that it is representative of all SEI accounts. It is not based on the first accounts reported.

In addition, the results generated from the sample are later compared with results from the

*Continued on page 50*

**The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.**

### *P&I Age* October indexes

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 5.78 | 18.9 | 33.22 |
| Russell 3000[1] | 5.3 | 18.0 | 31.9 |
| Ryan Index[2] | 1.18 | 16.03 | 23.31 |
| Shearson Lehman Gov't./Corp.[2] | 1.45 | 13.79 | 19.99 |

Source: Rogers, Casey and Barksdale Inc.
[1]Frank Russell Co. [2]Fixed income.

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## Real Estate Open-end funds

### Period ended June 1986

#### 1-year returns

| | % |
|---|---|
| Copley (Develop), Mass. | 20.1 |
| Citicorp, N.Y. | 17.3 |
| Canada Life Assurance | 16.5 |
| Chase Manhattan, N.Y. | 15.2 |
| Union Labor Life (J), D.C. | 15.2 |
| Morgan Guaranty, N.Y. | 14.4 |
| Phoenix Mutual, Conn. | 14.4 |
| Bank One Trust Columbus, Ohio | 13.4 |
| Wachovia Bank, N.C. | 13.4 |
| Chemical Bank, N.Y. | 13.1 |
| Prudential (MORISA), N.J. | 12.8 |
| Prudential (PRIMOR), N.J. | 12.4 |
| CIGNA Corp., Conn. | 12.0 |
| NCNB National Bank, N.C. | 11.6 |
| Bank of Boston, Mass. | 11.5 |
| Aetna Life & Cas. (PMSA), Conn. | 11.4 |
| United Virginia Bank | 10.5 |
| Third Natl. Nashville, Tenn. | 10.4 |
| Equitable Life (Prime Prop), N.Y. | 9.8 |
| First of Chicago (F), Ill. | 9.7 |
| Southland Trust Co. (SREEF) | 9.6 |
| Aetna Life & Cas. (RESA), Conn. | 9.5 |
| Goldman, Sachs (Inprop), N.Y. | 9.3 |
| Massachusetts Mutual | 9.2 |
| Sun Bank, Fla. | 9.0 |
| Republic Natl. Dallas | 9.0 |
| Principal Mutual Life, Iowa | 8.9 |
| Travelers, Conn. | 8.8 |
| Mutual Benefit Life (VCA-5), N.J. | 8.5 |
| John Hancock, Mass. | 7.3 |
| Prudential (PRISA), N.J. | 6.8 |
| Metropolitan Life, N.Y. | 6.6 |
| First of Minneapolis | 5.9 |
| Lloyds Bank (F), Calif. | 5.7 |
| Crocker National (P), Calif. | 5.5 |
| Metropolitan Life (TOWER), N.Y. | 5.2 |
| **Consumer Price Index** | **1.7** |
| Seafirst Bank, Wash. | 1.5 |
| Interfirst Bank Dallas | 0.7 |
| New York Life Ins. (3) | - 0.2 |

#### 3-year returns

| | % |
|---|---|
| Copley (Develop), Mass. | 20.4 |
| Phoenix Mutual, Conn. | 16.8 |
| Mutual Benefit Life (VCA-5), N.J. | 16.2 |
| Prudential (MORISA), N.J. | 16.1 |
| Metropolitan Life, N.Y. | 15.8 |
| NCNB National Bank, N.C. | 15.3 |
| Prudential (PRIMOR), N.J. | 15.2 |
| Chase Manhattan, N.Y. | 15.1 |
| Canada Life Assurance | 14.9 |
| Morgan Guaranty, N.Y. | 14.8 |
| Citicorp, N.Y. | 14.6 |
| Union Labor Life (J), D.C. | 14.6 |
| Southland Trust Co. (SREEF) | 13.8 |
| Equitable Life (Prime Prop), N.Y. | 13.7 |
| CIGNA Corp., Conn. | 13.6 |
| Aetna Life & Cas. (PMSA), Conn. | 13.1 |
| Metropolitan Life (Tower), N.Y. | 13.1 |
| Goldman, Sachs (Inprop), N.Y. | 12.6 |
| Bank One Trust Columbus, Ohio | 12.5 |
| First of Minneapolis | 12.4 |
| Wachovia Bank, N.C. | 12.3 |
| Bank of Boston, Mass. | 12.2 |
| Chemical Bank, N.Y. | 12.1 |
| First of Chicago (F), Ill. | 11.9 |
| United Virginia Bank | 11.5 |
| Aetna Life & Cas. (RESA), Conn. | 11.3 |
| Principal Mutual Life, Iowa | 10.8 |
| Sun Bank, Fla. | 10.7 |
| Massachusetts Mutual | 10.7 |
| Prudential (PRISA), N.J. | 10.6 |
| Republic Natl. Dallas | 10.2 |
| John Hancock, Mass. | 9.9 |
| Third Natl. Nashville, Tenn. | 9.7 |
| Interfirst Bank Dallas | 9.1 |
| Travelers, Conn. | 9.0 |
| Crocker National (P), Calif. | 8.7 |
| Lloyds Bank (F), Calif. | 7.7 |
| Seafirst Bank, Wash. | 7.3 |
| New York Life Ins. (3), N.Y. | 4.9 |
| **Consumer Price index** | **3.2** |

#### 5-year returns

| | % |
|---|---|
| Morgan Guaranty, N.Y. | 16.3 |
| Union Labor Life (J), D.C. | 16.1 |
| Phoenix Mutual, Conn. | 16.0 |
| NCNB National Bank, N.C. | 15.8 |
| Southland Trust Co. (SREEF) | 15.8 |
| Aetna Life & Cas. (PMSA), Conn. | 15.8 |
| Chemical Bank, N.Y. | 14.9 |
| Canada Life Assurance | 14.6 |
| Metropolitan Life, N.Y. | 14.0 |
| Bank One Trust Columbus, Ohio | 13.1 |
| Bank of Boston, Mass. | 13.0 |
| Equitable Life (Prime Prop), N.Y. | 12.7 |
| First of Chicago (F), Ill. | 12.5 |
| Metropolitan Life (Tower), N.Y. | 11.9 |
| Sun Bank, Fla. | 11.5 |
| Citicorp, N.Y. | 11.5 |
| Wachovia Bank, N.C. | 11.4 |
| Aetna Life & Cas. (RESA), Conn. | 11.4 |
| Interfirst Bank Dallas, Texas | 10.8 |
| John Hancock, Mass. | 10.2 |
| Third Natl. Nashville, Tenn. | 10.1 |
| Prudential (PRISA), N.J. | 10.1 |
| Travelers, Conn. | 9.3 |
| Crocker National (P), Calif. | 9.2 |
| Seafirst Bank, Wash. | 8.9 |
| **Consumer Price Index** | **3.8** |

#### 10-year returns

| | % |
|---|---|
| Morgan Guaranty, N.Y. | 19.5 |
| Wachovia Bank, N.C. | 14.8 |
| Prudential (PRISA), N.J. | 14.4 |
| Metropolitan Life, N.Y. | 13.5 |
| Equitable Life (Prime Prop), N.Y. | 12.9 |
| Bank of Boston, Mass. | 12.5 |
| First of Chicago (F), Ill. | 12.2 |
| Travelers, Conn. | 12.1 |
| **Consumer Price Index** | **6.8** |

*P&I Age*'s annual directory of the 1,000 largest pension plans will run Jan. 26.

## Real Estate Closed-end funds

### Period ended June 1986

#### 1-year returns

| | % |
|---|---|
| JMB Institutional (I), Ill. | 18.6 |
| Lehndorff & Babson (Prop), Mass. | 18.0 |
| TCW Realty Advisors (I), Calif. | 16.8 |
| John Hancock (SERA I), Mass. | 15.2 |
| State Street Bank (I), Mass. | 14.9 |
| Coldwell Banker (V) | 14.7 |
| Landauer Advisors (I), N.Y. | 14.4 |
| Rosenberg (Mid-Am III) | 14.2 |
| LaSalle Advisors (Street), Ill. | 14.2 |
| Rosenberg (Mid-Am II) | 14.1 |
| Rosenberg (West VI) | 13.6 |
| JMB Institutional (II) | 13.3 |
| Aetna Life (CERESA I) | 13.2 |
| Rosenberg (Mid-Am East IV) | 12.9 |
| Rosenberg (West V) | 11.6 |
| Rosenberg (REEF III) | 11.3 |
| CIGNA Corp., Conn. | 10.9 |
| Rosenberg (USA I) | 10.8 |
| Equitable Life (New Prop), N.Y. | 10.7 |
| Aetna Life (CERESA II), Conn. | 10.2 |
| Coldwell Banker (VII) | 10.1 |
| Coldwell Banker (IV) | 10.1 |
| JMB Institutional (III) | 9.8 |
| Rosenberg (REEF II) | 9.5 |
| State Street Bank (II), Mass. | 9.5 |
| Rosenberg (REEF I) | 9.4 |
| Metropolitan Life (I), N.Y. | 8.8 |
| Coldwell Banker (II) | 7.3 |
| Rosenberg (Mid-Am I) | 7.0 |
| Sarofim Trust Co. (SIRF P-I) | 6.9 |
| Coldwell Banker (VI) | 6.8 |
| Rosenberg (USA III) | 6.3 |
| Rosenberg (REEF IV) | 6.0 |
| Coldwell Banker (III) | 5.1 |
| Rosenberg (USA II) | 3.3 |
| **Consumer Price Index** | **1.7** |

#### 3-year returns

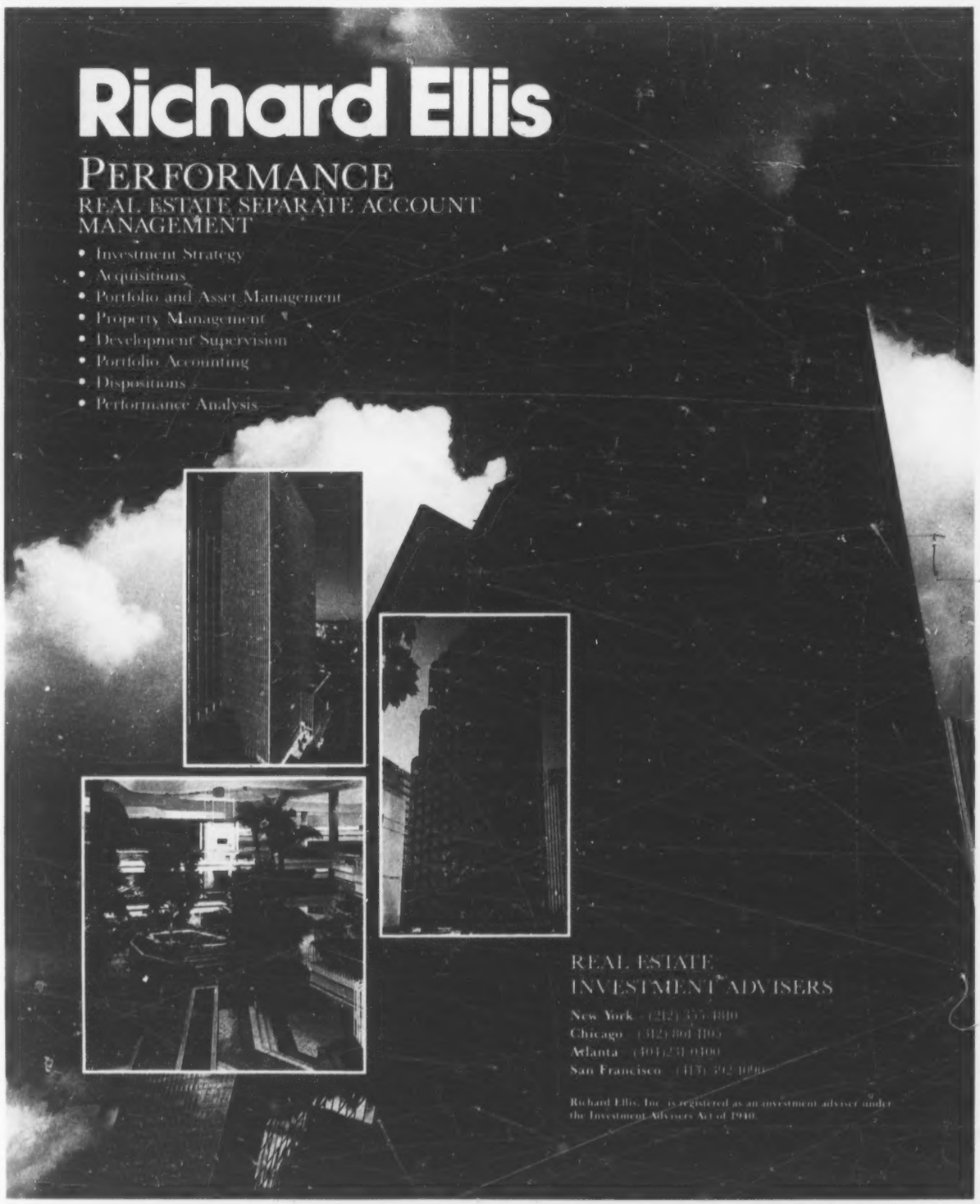
| | % |
|---|---|
| JMB Institutional (I) | 19.1 |
| State Street Bank (I), Mass. | 18.1 |
| LaSalle Advisors (Street), Ill. | 17.3 |
| Coldwell Banker (V) | 16.9 |
| Sarofim Trust Co. (SIRF P-I) | 15.1 |
| Equitable Life (New prop), N.Y. | 13.6 |
| Rosenberg (Mid-Am II) | 13.2 |
| Rosenberg (REEF II) | 12.3 |
| Coldwell Banker (II) | 12.2 |
| Coldwell Banker (IV) | 11.9 |
| Rosenberg (REEF II) | 11.4 |
| Rosenberg (USA I) | 10.8 |
| CIGNA Corp., Conn. | 10.7 |
| Coldwell Banker (VII) | 10.5 |
| Rosenberg (USA II) | 9.9 |
| Rosenberg (REEF I) | 9.3 |
| Coldwell Banker (VI) | 9.1 |
| Coldwell Banker (III) | 8.6 |
| Rosenberg (REEF IV) | 7.9 |
| Rosenberg (Mid-Am I) | 7.4 |
| **Consumer Price Index** | **3.2** |

#### 5-year returns

| | % |
|---|---|
| LaSalle Advisors (STREET), Ill. | 20.5 |
| JMB Institutional (I) | 19.4 |
| Coldwell Banker (V) | 15.6 |
| Coldwell Banker (II) | 15.0 |
| Coldwell Banker (IV) | 13.1 |
| Rosenberg (REEF I) | 12.3 |
| Rosenberg (REEF II) | 12.2 |
| Coldwell Banker (VI) | 10.9 |
| Coldwell Banker (III) | 9.6 |
| **Consumer Price Index** | **3.8** |

#### 10-year returns

| | % |
|---|---|
| Coldwell Banker (II) | 20.2 |
| **Consumer Price Index** | **6.8** |



# Cash Management

## Issuers ready to pour more into 'junk' paper

Barry B. Burr

Coca-Cola Bottling Co. Consolidated is considering increasing its $75 million commercial paper program, so strong has been its reception despite the lack of a short-term rating by any of the credit-rating companies or any credit enhancement, according to its treasurer.

The Charlotte, N.C.-based distributor of soft drinks in the South and British Columbia never sought a rating because "we're highly leveraged and not the type that would get a prime rating," said David V. Singer, vice president and treasurer.

Moody's Investors Service Inc., New York, rates the bottling company's long-term debt Ba 3, while Standard & Poor's Corp., also in New York, rates it BB+, he added.

But like a growing number of companies, Coca-Cola Consolidated wasn't deterred from the commercial paper market.

Unlike many firms with doubtful credit standings, the company rejected buying a standby letter of credit, or other credit enhancements, that would enable it to obtain a prime rating, the perceived route to issuing commercial paper, he said.

Working with Salomon Brothers Inc., New York, as its commercial paper dealer, Coca-Cola Consolidated sold its program to money market investors on the bottling company's own credit standing.

The program accounts for about 90% of Coca-Cola Consolidated's short-term borrowing, the rest coming from banks, Mr. Singer said.

He said the bottling company is thinking of expanding the program; but how much and when depends on its short-term financing needs. "That obviously would be the way to go," he added, referring to the attractive rates.

Its unrated paper sells for an average spread of 55 basis points more than the Federal Reserve's composite average rate of 30-day commercial paper of AA rated companies, Mr. Singer said, adding it beats its bank borrowing by 25 to 30 basis points.

"We haven't had any trouble selling it," he said of the program that began in October 1985.

Coca-Cola Consolidated isn't alone.

An increasing number of companies are issuing what some industry executives call junk commercial paper — commercial paper that is neither rated nor backed by a credit enhancement.

It represents a fundamental change in the commercial paper market, which was once the preserve of only the best-rated corporations, according to dealers. The change parallels the growth in junk bonds, they said.

The likelihood of getting a below-prime rating in commercial paper no longer necessarily deters corporations from tapping the market for short-term financing without a credit enhancement, usually in the form of a standby letter of credit issued by a bank.

Issuers view their unrated paper as a cost-effective alternative to credit-enhanced paper or to bank credit.

"It's really one of the recent success stories" in finance, said Howard Pollack, senior vice president at Shearson Lehman Commercial Paper Inc., New York.

Navistar Financial Corp., Schaumburg, Ill., a unit of Navistar International Corp., Chicago, has raised its unrated program to $390 million outstanding from about $50 million in November 1985 when it began, according to John Bongiorno, the subsidiary's president. The unrated paper program now provides more than half of Navistar Financial's $750 million in short-term financing; the rest comes from banks.

Because of Navistar's financial troubles, the unit lost its rating in the early 1980s, he added. It didn't issue commercial paper until Shearson Lehman offered the current program.

As for having a credit enhancement, Mr. Bongiorno said Navistar Financial "really didn't think we had to, given our revolving (credit) line," obtained to provide an alternative lending source.

He said the unrated paper sells at a rate "as much as 50 basis points" under what Navistar Financial pays to borrow from its banks.

He said he expects Navistar Financial may recover a prime rating, if its parent succeeds in its latest financial restructuring.

"As we begin to recover our rating, we already will have a presence in the marketplace and enjoy" the good will of investors, Mr. Bongiorno said.

Unrated issuers as well as dealers cited a similar reason for favoring unrated paper over credit-enhanced paper. They said investors in unrated paper have to become familiar with the issuer, a recognition that increases in value as the company wants to issue longer public debt, even if money market investors are not the same group as bond investors. With credit-enhanced paper, they said, investors look only at the bank or financial institution backing the paper, rather than at the issuer.

As Coca-Cola Consolidated's Mr. Singer put it, with a letter of credit, "Our name wouldn't be out in the marketplace. There

*Continued on page 37*

## *Account analysis gets NCCMA nod*

By Chuck Paustian

ANAHEIM, Calif. — After a successful unveiling of its account analysis prototype, the National Corporate Cash Management Association's standards committee doesn't plan to rest on its laurels.

The standards committee presented its long-awaited account analysis model at the association's seventh annual conference to appreciative reviews.

"Ideally what's happening with the NCCMA is exactly what we want to happen," said Patrick J. Finan, senior systems analyst with Procter & Gamble Co., Cincinnati.

> *"It's kind of like having a kid. I'm glad it's over with, but it still has to grow up."*
>
> — Raymond L. Cushing
> Nordson Corp.

Procter & Gamble is developing an electronic account analysis transmissions system. Mr. Finan said the NCCMA's prototype will aid P&G's current system.

In an interview, Raymond L. Cushing, corporate cash manager at Nordson Corp., Cleveland, and chairman of the standards committee, said while the account analysis prototype is a major step, a lot more work is still to come.

"It's kind of like having a kid. I'm glad it's over with," Mr. Cushing said, referring to the work and anticipation surrounding the presentation of the model. "But, it still has to grow up."

Mr. Cushing, who also was elected a director of the NCCMA during the conference, said the committee has begun work on related projects, including an account analysis data glossary, expected in mid-1987, and a joint effort with the American National Standards Institute to develop electronic transmission guidelines, expected some time in 1988.

Mr. Finan said P&G's system might serve as a starting point for ANSI's efforts.

Other projects scheduled for 1987 include a prototype lockbox questionnaire — developed with the Bank Administration Institute, a trade group based in Rolling Meadows, Ill; a dictionary of cash management terms; and a model contract for customer service agreements.

The prototype NCCMA account analysis statement is divided into five sections: customer information; current and historic balance and compensation information; adjustment detail; a management summary of accounts; and service description and cost information.

"It solves a lot of problems," said Mr. Cushing. "I like the way it handles the adjustment."

In the past, he said, a bank's adjustment for errors made in previous statements could go undetected unless the cash manager reviewed previous statements and reconciled those with the current one. In addition, the cash manager would have no way of double checking the amount of the adjustment or the bank's calculation.

Under the prototype, any adjustments would appear both in the adjustment detail section and the historic balance and compensation section of the statement.

Mr. Cushing said the other major improvements of the prototype include bank compensation data, the product families or service groups, and activity information for each account.

The bank compensation section of the statement allows corporate cash managers to know exactly where they stand in terms of compensating their bank, whether it be on a balance or fee basis.

*Continued on page 38*

**Payden & Rygel index of short maturity assets***
**(for month ended Oct. 31)**

| | October 1986 | Quarter ended 9/30/86 | Year to date | 12 months ended 10/31/86 | Yield level monthly change* |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4537 | 1.5980 | 5.7678 | 7.1248 | 0 |
| Domestic CD | 0.5381 | 1.6906 | 6.2334 | 7.6487 | −21 |
| Euro $ CD | 0.5371 | 1.7142 | 6.3104 | 7.7650 | −15 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.5238 | 1.7326 | 6.3807 | 7.8629 | −11 |
| Domestic CD | 0.5786 | 1.8104 | 6.6620 | 8.0745 | −20 |
| Euro $ CD | 0.5873 | 1.8432 | 6.7539 | 8.2448 | −20 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.5736 | 2.0564 | 7.4219 | 9.1429 | −09 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.7555 | 2.4026 | 9.2537 | 12.2094 | −12 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

## Fed proposes redeposit plan

By Barry B. Burr

WASHINGTON — After a test program showed improved processing time and reduced costs, the Federal Reserve Board proposed to provide a redeposit service for "small" checks that are returned because of insufficient or uncollected funds.

Under the proposed "return item reclearing service," Federal Reserve Banks would intercept dishonored checks and redeposit them for a second presentment on behalf of the collecting institution. The practice would speed processing time and reduce costs, according to the Federal Reserve.

Under the proposal, each Federal Reserve Bank would set its own limit on the dollar amount of checks eligible for the return item reclearing service.

Earl G. Hamilton, assistant director, Federal Reserve Board bank operations division, Washington, said there would not have to be any limit on the dollar amount of each check redeposited through the proposed service. But he said it likely would be less than $900 each, and probably closer to $100 each to minimize risk.

The Federal Reserve Banks would charge a fee to offset all costs associated with the service. The Fed notice gave no estimate of the fee.

Participation in the service by commercial banks and other senders of checks would be voluntary.

Banks upon which the checks are drawn still would be required to send back checks being returned within 48 hours or otherwise risk liability for any loss occurring to the sending bank.

Representatives of a number of major cash management banks said they were unaware of the proposal and declined to comment.

Test programs, beginning in 1984, at the Federal Reserve Banks of Atlanta, Cleveland and St. Louis found about 60% of the dishonored checks are paid upon second presentment.

According to a 1985 study by the Bank Administration Institute, a Rolling Meadows, Ill.-based trade group, cited by the Fed, slightly less than 1% of the 42 billion to 44 billion checks written annually are returned unpaid. Of the checks that are dishonored, 53% have a value of less than $100.

The reclearing service accelerates presentment items for most returned checks by one day, because the item no longer is returned to the sender before being redeposited. In addition, the time required for the check to finally be paid also is cut by at least one day.

The Fed proposal noted many collecting institutions, before charging their customers for checks returned for insufficient funds, routinely try again to deposit for collection low-dollar dishonored checks. The reason is

*Continued on page 36*

**PIPER**

*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

# Special equity leaders played it safe

**By Brian Lehrer**

Discipline and conservatism produced some of the best results for bank and insurance company commingled special equity funds in the periods ended Sept. 30.

Despite fine performances by selected funds, the median special equity fund in the Pensions & Investments' Performance Evaluation Report outshone the Standard & Poor's 500 stock index in only the 10-year period.

The median fund returned −11.3% for the quarter, while the S&P 500 registered −7%.

For the 12 months ended Sept. 30, the median fund returned 24%, while the index returned 31.8%. For the three years ended Sept. 30, the median fund posted a compound annual 7.3% vs. the S&P's 16.5%.

Annualized figures for five years were 17.3% for the median fund and 20.2% for the index, and for the 10-year period, 17.3% and 13.6%, respectively.

The top fund for the quarter was RepublicBank Dallas, whose Select Equity Fund returned 10.5%. First Interstate Bank of Nevada, Reno, and CitiCorp, New York, rounded out the top three with returns of 4.6% and −0.7%, respectively.

RepublicBank's $9 million select equity fund is the anomaly to the conservative strategies. A highly volatile fund with only five or six stocks, its managers follow a low price-earnings approach.

"We manage it the same way we do our other funds," said H. Edward Anderson, senior vice president, "but we take it one level of risk more by taking rather large bets."

Some of the three-year-old fund's holdings are **IBM Corp.**, **American Bankers Insurance Group** and **Amcast Industrial Corp.**

First of Maryland's, Baltimore, special equity fund finished in the top 10% for the quarter, posting a −4.8% return.

"The umbrella that overrides our investment strategy is asset allocation," said Steve Ralston, portfolio manager. "We try to diversify as much as possible."

The fund, with slightly more than $10 million in assets, strives for low-beta investments and makes decisions based on a stock's consistent growth or secular change.

Mr. Ralston said First of Maryland sells its stocks at predetermined target prices. "Very rarely do we ratchet it up when we achieve the desired price," he said.

The portfolio is 92% securities and 8% cash. **Subaru of America Inc.** and **Dunkin' Donuts Inc.** have been some of its most successful stocks, although Mr. Ralston attributed the portfolio's strong showing last quarter to "very heavy cash."

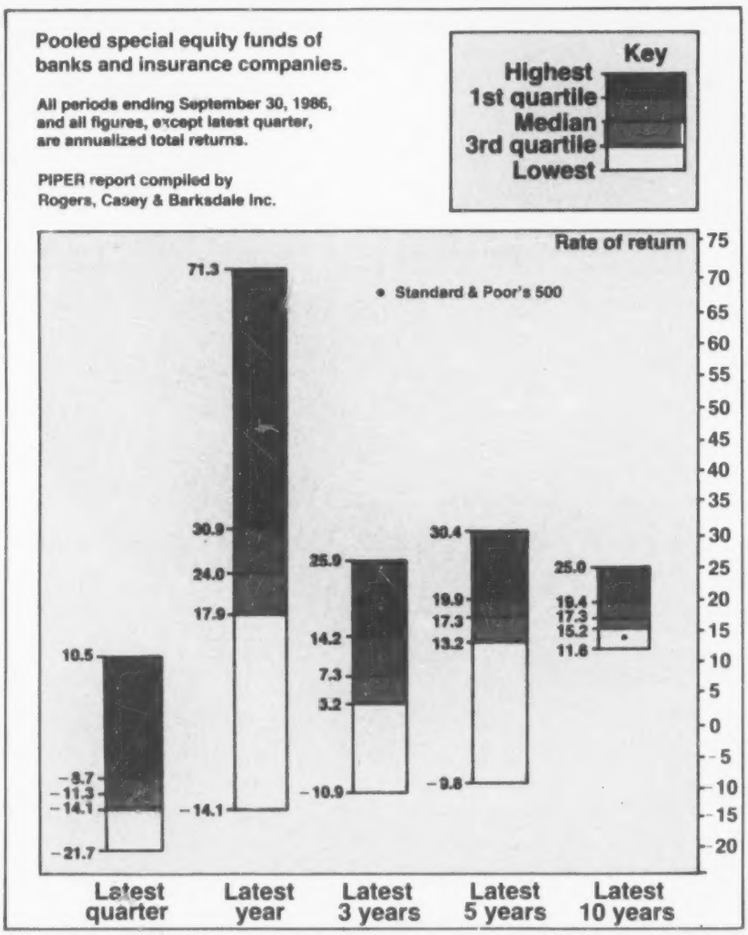
The fund fared similarly well in the five- and 10-year periods, finishing in the top 20%, with compound annual returns of 21.8% and 22.3%, respectively. Over the one- and three-year periods it slid below the S&P, with returns of 22.8% and an annualized 12.3%. In the one-year period it finished in the bottom half of all PIPER funds, and in the three-year it finished in the top 30%.

RepublicBank also finished first for the one-year period, with a return of 71.3%. Chase Manhattan Corp., New York, and The First National Bank of Neenah, Wis., placed second and third with returns of 53% and 48.9%, respectively.

First of Neenah's $6 million equity income fund espouses a relatively conservative approach, said Michael Flesch, vice president.

The fund's objective is high current return along with capital appreciation. Managers look for higher-yielding stocks and convertible preferred stocks and bonds.

"We like our equities to yield at least 4% or more," Mr. Flesch said. "When they don't, we sell right cover calls, which brings up the whole return."




He said the fund is overweighted in real estate and financials. Some of its best returning stocks are **Philip Morris Inc.**, **New Plan Realty Trust** and **Washington REIT**.

Another top performer in the year was American Fletcher National Bank, Indianapolis, whose E Fund finished seventh, but still in the top 10%, with a return of 42.7%.

The $2 million fund has stocks that tend to be low-beta and low price-earnings, said Leif Nulsen, senior vice president. "It (the fund) has achieved an above-average return with a below-market risk," he said.

The fund is overweighted in financial issues and credit cyclicals, like regional banks and savings and loans, capital goods, technology and utilities.

Some of its better performing stocks are **Kroger Co.**, **Kellogg Co.**, **Eli Lilly Co.**, **Philip Morris** and **Hasbro Bradley Inc.**, Mr. Nulsen said.

"We generally look for a stock that is selling at a low price relative to its historic price level, but is also generating good cash flow and revenues," he said. "You might classify us as a value-oriented contrarian type of manager."

The fund, started in 1980, finished fifth for the three-year period, with a return of 18.5%, and its −5.3% return for the quarter topped the S&P and put it in the second decile. Its compound annual 20% return dipped below the S&P index in the five-year period, placing it in the top 30%.

Another top performer in the survey was Fidelity Management Trust, Boston, whose $535 million aggressive equity commingled pool finished sixth for the year with a 43.4% return.

Frank Parrish, executive vice president and chief investment officer, said the company's investment strategy is not based on any specific blueprint.

"Basically we use a very broad discipline," he said. "We tend to use a bottom-up approach."

The portfolio is evenly divided between small-cap stocks, growth stocks and blue chips, he said. The fund is overweighted in consumer cyclicals, mostly automotives, and financial services, which comprise 21% and 25% of the portfolio, respectively.

Some of its best returning automotive stocks are **Ford Motor Co.**, **Chrysler Corp.** and **Volvo of America Corp. Student Loan Marketing Association** and **Federal National Mortgage Association** are two of its financial service stocks.

The pool, started in 1981, finished fourth over the three-year period with a 20.2% return, but was not included in the five-year period.

Society National Bank, Cleveland, fin-

*Continued on page 40*

# International funds focus on the Continent

**By Marlene Givant**

No longer enamored with the Japanese market, top-performing managers in Pensions & Investments' Performance Evaluation Report continued to emphasize continental European stocks in the third quarter.

Some managers did, however, overweight Japanese, as well as West German, currencies over British sterling and U.S. dollars.

PIPER tracks the returns of 31 bank and insurance company international and global equity and fixed-income commingled funds.

The $55 million International Employee Benefit Equity Fund of the Bank of America, San Francisco, topped all others for the quarter, year and three years ended Sept. 30.

The fund, managed in London by BA Investment Management International Ltd., posted a total return of 20.8% for the quarter, 127.8% for the year and a compound annual 45.7% for three years.

The Morgan Stanley Capital International Europe Australia Far East index returned 15.3%, 90.1% and an annualized 43.3% for those periods, respectively.

American National Bank & Trust Co. of Chicago's index fund ranked second for the quarter, with a 20% return.

For the year ended Sept. 30, Bessemer Trust Co., New York, ranked second, with 105.3%, and Centerre Trust Co. of St. Louis ranked third, with 99%.

BA Investment expects a souring world economy and therefore avoided stocks it considers most sensitive to economic factors in the third quarter.

It avoided capital equipment, technology and basic industry stocks in favor of financial stocks, particularly in France and Spain, and service and consumer-oriented stocks, mainly in the U.K. market. Those sectors are relative beneficiaries of slow economic growth and falling interest rates, said Chris Carter, international equity manager.

For financials, the most value was in European stocks, particularly those in France and Spain. For service and consumer stocks, the most value was in the U.K. stock market, he said. "We still feel on virtually every count the Japanese market remains significantly overvalued."

At the end of the third quarter, the fund had only 10% in the Japanese market, reduced from 20% at the end of last quarter.

While Japan is assigned a weight of about 50% in the EAFE, Mr. Carter said BA Investment will continue to phase out Japanese stocks.

In addition to controlling market and sector risk, BA bridled currency risk by selling sterling forward in yen and deutsche mark currencies.

"We're underweighted in Japan but feel less happy about being that much underweighted in yen currency," he said.

Yen exposure remained at 30% for the third quarter but in the fourth quarter BA might shift more to deutsche marks. This is because of the relative willingness of Japanese authorities to lower interest rates while West Germany is stubborn on interest rate policy, he said.

To further ward off effects of a bear market, the fund is building cash levels.

"Interest rates pushed down worldwide (in the third quarter). In the second quarter, there was little risk of being in equities," he said.

"We now feel the risk in equity markets on the whole is increasing and we are beginning to build up the level of cash in the portfolio. At the end of the third quarter we had 15% cash. Over the fourth quarter we would expect to increase that further."

American National Bank & Trust's $20 million international equity fund, which was second for the quarter, is an index fund tracking the EAFE.

"We don't try to exactly track the index. We try to replicate the return and risk characteristics," said Jim Kartalia, director of marketing. "We own (stocks of) only 11 of the 60 countries in EAFE. The tracking error tends to

*Continued on page 41*

# Special equity . . .

*Continued from page 39*

ished 10th for the year, with a return of 38.1%.

The $16.2 million earnings momentum fund, started in January of 1985, follows a "very disciplined" three-stage investment strategy. Portfolio managers look for growth companies that have grown at least 5% during a six-year period, with "very consistent" earnings in that time, that have experienced accelerated operating earnings in the current quarter.

The portfolio is overweighted in consumer staples and financial, and underweighted in technology and utilities. But weightings are not a cardinal element of Society National's tactics, said Jim Foster, vice president.

"We take a bottom-up approach," he said. "Weightings are secondary and earnings are primary."

Some of the fund's best returning stocks are **Waste Management Inc.**, **Nordstrom Inc.**, **Merck & Co. Inc.** **Philip Morris Inc.**, **Russell Corp.** and **Charming Shoppes Inc.**

For the quarter, the fund finished in the bottom half of the PIPER survey with a −11.5% return.

California First Bank, San Diego, was another top 10 performer for the year, as its fund placed eighth, registering 39%.

William Jeffery III, president of Califor-nia First Capital Management, La Jolla, the investment-management arm of the bank that handles the fund, said the roughly $15 million fund follows an aggressive-growth, bottom-up approach. "We are earnings-driven," he said.

The portfolio is overweighted in specialty retailers, 40%, and technology, 30%.

Some of its retail holdings are **Liz Claiborne**, **Consolidated Stores** and **Cherokee Group**. Some of its technology holdings are **Ashton Tate**, **Seagate Technology** and **Autodesk**.

Although the fund finished in the bottom 20% for the quarter and the three-year period, posting −20% and 0.7%; it finished in the top 20% for the five-year period, with a compound annual 21%, and placed third for the 10-year period, with an annualized 23.5%. For the three-year period, RepublicBank remained perched at the top with a compound annual 25.9% return, while CitiCorp and First of Neenah returned 21.7% and 21.3%, to place second and third.

CitiCorp's real estate stock fund took the gold for the five-year period, with a compound annual 30.4% return, while Chase Manhattan and Provident National Bank, Philadelphia, had annualized returns of 25.8% and 24.7%, respectively.

The Growth Fund of MTrust, Dallas, reigned for the 10-year period with an annualized 25% return, while Equitable Bank, Baltimore, and California First Bank, San Diego, returned 24.2% and 23.5% to round out the top three. ■

## Top quartile commingled special equity funds

### 3-month returns

| | % |
|---|---|
| RepublicBank (Select), Dallas | 10.5 |
| First Interstate of Nevada (B) | 4.6 |
| Citicorp (R.E.), N.Y. | −0.7 |
| First of Neenah (Income), Wis. | −1.0 |
| Citicorp (Resources), N.Y. | −2.3 |
| First of Boston (Yield), Mass. | −4.0 |
| Manufacturers Hanover (Uncom.) | −4.2 |
| Manufacturers Hanover (Supp.) | −4.3 |
| MBank Austin (Keogh), Texas | −4.5 |
| First of Maryland | −4.8 |
| American Fletcher (E), Ind. | −5.3 |
| Chase Manhattan (Value), N.Y. | −5.7 |
| Society Natl. (Ohio reg.), Ohio | −5.8 |
| First of Neenah (Regional), Wis. | −6.2 |
| Centerre Trust (T), Mo. | −6.3 |
| Pittsburgh Natl. (QRC), Pa. | −6.3 |
| Harris Trust (Spec. cap.), Ill. | −6.6 |
| First of Chicago | −6.8 |
| Trust Co. of Georgia (Sun Belt) | −6.8 |
| **Standard & Poor's 500** | **−7.0** |
| Natl. Bank of Commerce | −7.1 |
| Planters Natl. (Carolinas), N.C. | −7.3 |
| Wachovia Bank (Div.), N.C. | −7.5 |
| Natl. Bank of Detroit (Opp.) | −7.9 |
| Texas American Bank | −8.2 |

### 1-year returns

| | % |
|---|---|
| RepublicBank (Select), Dallas | 71.3 |
| Chase Manhattan (Inter. cap.) | 53.0 |
| First of Neenah (Regional), Wis. | 48.9 |
| Trust Co. of the West | 44.3 |
| Manufacturers Hanover (Supp.) | 43.6 |
| Fidelity Mgmt. Trust (Agg.), Mass. | 43.4 |
| American Fletcher (E), Ind. | 42.7 |
| California First Bank (Supp.) | 39.0 |
| First of Neenah (Eq. inc.), Wis. | 38.3 |
| Society Natl. (Earn. mom.), Ohio | 38.1 |
| Fidelity Mgmt. Trust (Small co.) | 35.7 |
| RepublicBank Dallas, Texas | 35.7 |
| First Tennessee Memphis | 34.7 |
| Harris Trust (Spec. cap.), Ill. | 34.5 |
| Manufacturers Hanover (Uncom.) | 33.9 |
| Mellon Bank (EB), Pa. | 33.8 |
| Citicorp (Emerg. health), N.Y. | 33.4 |
| Wachovia Bank (Div.), N.C. | 33.2 |
| Marsh & McLennan (Putnam) | 33.1 |
| Central Fidelity (EB Agg.), Va. | 33.0 |
| Northern Trust, Ill. | 32.6 |
| **Standard & Poor's 500** | **31.8** |
| Citicorp (R.E.), N.Y. | 31.3 |
| Society Natl. (Ohio reg.), Ohio | 31.1 |

### 3-year returns

| | % |
|---|---|
| RepublicBank (Select), Dallas | 25.9 |
| Citicorp (R.E.), N.Y. | 21.7 |
| First of Neenah (Eq. inc.), Wis. | 21.3 |
| Fidelity Mgmt. Trust (Agg.), Mass. | 20.2 |
| American Fletcher (E), Ind. | 18.5 |
| Chase Manhattan (Inter. cap.) | 18.2 |
| First of Boston (Eq. yield) | 18.2 |
| Trust Co. of the West | 17.5 |
| Manufacturers Hanover (Supp.) | 16.8 |
| **Standard & Poor's 500** | **16.5** |
| Citicorp (Emerg. health), N.Y. | 15.9 |
| Shawmut Bank (Target), Mass. | 15.5 |
| MBank Austin (Keogh), Texas | 15.3 |
| Associated Kellogg (EB gr.), Wis. | 15.3 |
| Old Second Natl. (H.R. 10), Ill. | 15.2 |
| Wachovia Bank (Div.), N.C. | 15.1 |
| Manufacturers Hanover (Uncom.) | 15.1 |
| Mellon Bank, Pa. | 15.0 |
| Natl. Bank of Detroit (Opp.) | 14.6 |
| Provident National, Pa. | 14.3 |
| Society Natl. (Ohio reg.), Ohio | 14.2 |
| LaSalle Natl. (Small cap.), Ill. | 14.2 |

### 5-year returns

| | % |
|---|---|
| Citicorp (R.E.), N.Y. | 30.4 |
| Chase Manhattan (Inter. cap.) | 25.8 |
| Provident National, Pa. | 24.7 |
| Wachovia Bank (Div.), N.C. | 24.1 |
| Citicorp (Spec. sit.), N.Y. | 24.1 |
| First of Boston (Eq. yield) | 22.5 |
| Connecticut Natl. Bank (Supp.) | 22.4 |
| Society Natl. (Ohio reg.), Ohio | 22.0 |
| Manufacturers Hanover (Uncom.) | 21.8 |
| First of Maryland | 21.8 |
| Chase Manhattan (Value), N.Y. | 21.4 |
| Natl. Bank of Detroit (Opp.) | 21.3 |
| California First Bank (Supp.) | 21.0 |
| Norwest Bank, Minn. | 20.9 |
| Bankers Trust (Supp.), N.Y. | 20.8 |
| **Standard & Poor's 500** | **20.2** |
| American Fletcher (E), Ind. | 20.0 |

### 10-year returns

| | % |
|---|---|
| MTrust (Growth), Texas | 25.0 |
| Equitable Bank, Md. | 24.2 |
| California First Bank (Supp.) | 23.5 |
| Northern Central, Pa. | 23.3 |
| Bankers Trust (Supp.), N.Y. | 22.8 |
| First of Maryland | 22.3 |
| Chase Manhattan, N.Y. | 20.5 |
| Bank of America (EB Ltd.), Calif. | 20.0 |
| Provident National, Pa. | 19.8 |
| Conn. Bank & Trust (EB supp.) | 19.6 |
| Norwest Bank, Minn. | 19.4 |
| **Standard & Poor's 500** | **13.6** |

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# International . . .

*Continued from page 39*

be random. We're not sure (whether it will be up or down) during a given quarter or month. If you look at the last five years, EAFE did 30.7%. Our international fund did 29.4%. We're including transaction costs, etc. In the long haul we'll track pretty well."

While Bank of America has avoided many Japanese stocks, Bessemer Trust, the second-ranked fund for the year, overweighted them. Peter Scully, vice president, said that overweighting was to thank for the 105.3% return on its $75 million Fund E portfolio for the period.

"The key was we were heavily weighted in Japan — over 50% — with emphasis on Japanese domestic equities in utility, retail, construction and financial sectors, as opposed to export companies," he said.

More recently, "we have been taking some profits in Japan, moving some of that money into Hong Kong and Europe. We see more value in those markets at this point. (There's been) a tremendous run-up in the Japanese market. It's fully valued . . . We think there are good opportunities on the Continent."

The fund, which is now all equity but is not precluded from holding bonds, is jointly managed with the bank's London office.

Centerre Trust's $125 million Collective International Fund W, which ranked third for the year, is managed by Centerre in conjunction with Morgan Grenfell Investment Services Ltd., London.

The fund's strong return was attributed to its emphasis on West German and Japanese currencies and overweighting in Japanese stocks.

"Currency and overweighting in Japan really account for the vast majority of that return. First we did make sure that we were fully invested in terms of the yen and the mark. We really didn't hold dollars; (we) primarily emphasized those two currencies," said John Rabenau, a vice president at Centerre.

Mr. Rabenau stressed, however, that to add value the managers concentrated more on stock selection and country weightings than the currency factor.

"We tended to have overweighting in Japan. A major portion of Morgan Grenfell's approach is not the currency factor but equal emphasis on stock selection and country weightings. They don't emphasize currency as a major force in adding return. (We thought) more in terms of country weighting than individual stocks."

No managers beat the EAFE's 30.7% compound annual return for the five-year period, but IDS International Inc., Minneapolis, ranked second, returning 30% on its $51 million international collective fund.

The firm uses a top-down as well as bottom-up approach.

"We develop a macroeconomic geopolitical overview as the first stage in the process. We take a generalist approach (before choosing stocks)," said Diane Vener, assistant vice president.

Following IDS was American National Bank & Trust's fund, with a compound annual 29.4%, and Marsh & McLennan's Putnam International Trust, with 27.7%.

United States Trust Co. of New York, eked past the EAFE for the 10-year period, with a 22.5% compound annual return on its $30 million international ERISA equity fund compared with the index's 22.4%.

"Over that 10-year period the strategies have not all been the same," said Harry Rowney, vice president and chairman of U.S. Trust's international investment policy committee.

Initially, the fund was managed in-house. In the past five years, it entered into a joint venture with Foreign & Colonial Asset Management, New York.

As for the overall investment philosophy, Mr. Rowney said, "it would be a top-down approach, some evaluation on economies, currencies and markets to conclude which markets seem most appropriate for investment. Then (we) look for values within those markets and economies."

There were only two other funds tracked in the 10-year period, Morgan Guaranty Trust Co.'s international equity fund, which returned a compound annual 20% and First Chicago Investment Advisor's international equity fund, with 18.9%. ■

## Commingled international funds

### 3-month returns

| | % |
|---|---|
| Bank of America (Equity), Calif. | 20.8 |
| American Natl. Chicago (Equity) | 20.0 |
| **EAFE** | **15.3** |
| Bessemer Trust (E), N.Y. | 15.1 |
| Citicorp (Equity), N.Y. | 13.9 |
| Chase Manhattan (Global eq.) | 12.9 |
| Marine Midland (Equity), N.Y. | 12.4 |
| Wellington Trust (Equity), Mass. | 11.9 |
| Prudential (Print), N.J. | 11.6 |
| Centerre Trust (W), Mo. | 11.4 |
| CIGNA Corp. (Equity), Conn. | 11.3 |
| US Trust (Equity), N.Y. | 11.2 |
| Wellington Trust (Pac. Basin) | 10.8 |
| Toledo Trust (Equity), Ohio | 10.8 |
| Mellon Bank (Equity), Pa. | 10.8 |
| First of Chicago (Equity), Ill. | 10.3 |
| Morgan Guaranty (Equity), N.Y. | 10.1 |
| HT Investors (Equity), R.I. | 9.7 |
| Fidelity Mgmt. Trust (Equity), Mass. | 9.3 |
| IDS Trust (Equity), Minn. | 9.1 |
| California First Bank (Equity) | 7.6 |
| RepublicBank (Equity), Dallas | 7.6 |
| Citicorp (Fixed), N.Y. | 5.6 |
| Bankers Trust (Equity), N.Y. | 5.5 |
| Travelers Hill Samuel (W), Conn. | 5.5 |
| Marsh & McLennan (Putnam) | 5.2 |
| Prudential (Global fixed), N.J. | 4.9 |
| Aetna MIM (Equity), Conn. | 4.9 |
| First of Chicago (Non-dollar) | 4.5 |
| Toledo Trust (Global fixed), Ohio | 4.4 |
| Prudential (Foreign), N.J. | 4.1 |
| Provident Natl. (Low p/e eq.), Pa. | 4.0 |
| Morgan Guaranty (Bond), N.Y. | 2.6 |
| Bank of America (Fixed), Calif. | 1.8 |
| Wellington Trust (Bond), Mass. | 0.6 |

### 1-year returns

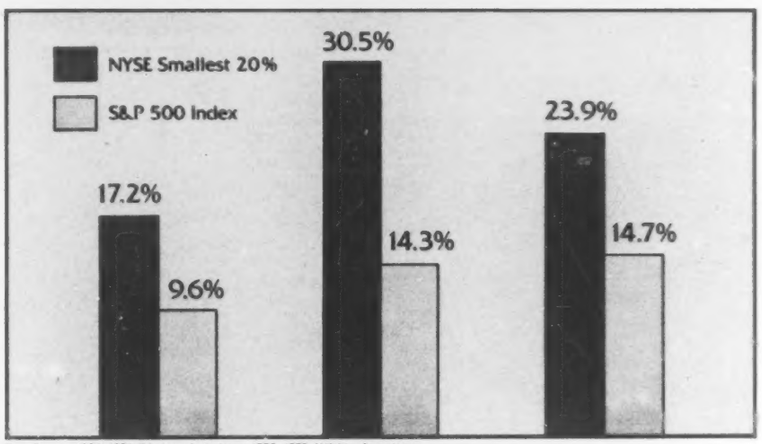
| | % |
|---|---|
| Bank of America (Equity), Calif. | 127.8 |
| Bessemer Trust (E), N.Y. | 105.3 |
| Centerre Trust (W), Mo. | 99.0 |
| American Natl. Chicago (Equity) | 93.6 |
| Wellington Trust (Pac. Basin) | 93.2 |
| Citicorp (Equity), N.Y. | 93.0 |
| RepublicBank (Equity), Dallas | 91.4 |
| **EAFE** | **90.1** |
| US Trust (Equity), N.Y. | 87.6 |
| Chase Manhattan (Global eq.) | 87.3 |
| Marine Midland (Equity), N.Y. | 85.0 |
| Wellington Trust (Equity), Mass. | 84.0 |
| IDS Trust (Equity), Minn. | 82.0 |
| CIGNA Corp. (Equity), Conn. | 81.9 |
| First of Chicago (Equity) | 80.7 |
| Aetna MIM (Equity), Conn. | 79.0 |
| Fidelity Mgmt. Trust (Equity) | 77.5 |
| Marsh & McLennan (Putnam) | 77.4 |
| Provident Natl. (Low p/e eq.), Pa. | 77.4 |
| Morgan Guaranty (Equity), N.Y. | 77.1 |
| HT Investors (Equity), R.I. | 75.2 |
| California First Bank (Equity) | 74.9 |
| Bankers Trust (Equity), N.Y. | 72.1 |
| Toledo Trust (Equity), Ohio | 64.9 |
| Mellon Bank (Equity), Pa. | 64.0 |
| Travelers Hill Samuel (W), Conn. | 58.1 |
| Prudential (Global bond), N.J. | 46.0 |
| Bank of America (Fixed), Calif. | 44.7 |
| Citicorp (Fixed), N.Y. | 41.2 |
| Prudential (Fixed), N.J. | 40.2 |
| First of Chicago (Non-dollar fixed) | 37.2 |
| Toledo Trust (Global fixed), Ohio | 36.4 |
| Morgan Guaranty (Bond), N.Y. | 32.6 |
| Wellington Trust (Bond), Mass. | 26.7 |

### 3-year returns

| | % |
|---|---|
| Bank of America (Equity), Calif. | 45.7 |

*Continued on page 42*


# Check this Record!

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Annualized Returns for Periods Ending 12/31/85

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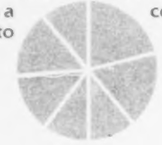

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# Boston managers merge

BOSTON — Mini merger mania hit the Boston investment management community in early November when two well-known firms announced plans to merge with or be acquired by two others.

By year end, Hagler, Mastrovita & Hewitt Inc. will be acquired by United Asset Management Corp., the publicly traded holding company in the business of buying money management operations.

In addition, Rollert & Sullivan Inc. will join its operations with Fort Hill Investors Management Corp. in December.

Hagler, Mastrovita manages roughly $1.4 billion in institutional assets. The purchase will bring to 12 the number of money management firms under the UAM umbrella, while total assets under management for the holding company will climb to roughly $15 billion.

Fort Hill's assets under management will climb to about $700 million after the merger with Rollert. About one-third of that amount represents accounts currently being run by Rollert & Sullivan, said Gordon Rollert, the firm's president who will become vice chairman and a member of the investment committee for the merged companies.

The moves come amid a flurry of acquisition or initial public offerings among investment management firms.

Indeed, UAM went public only this past summer in a $40 million offering. While the recent activity underscores a trend toward consolidation in the industry, the timing of these latest moves may in part be tax-related.

Money managers thinking about having their firms be acquired or go public have a strong incentive to do so by year end. Stockholders can cash out and be taxed at a 20% rate on the capital gains they realize only until year end. In 1987, the effective capital gains rate will climb to 28%.

While this may be a motivating factor for some investment managers to move now, Mr. Rollert said the changing tax laws did not play a role in his decision to merge with Fort Hill.

"I want to spend as much time as I can managing money and dealing with clients," Mr. Rollert said. "This is a situation that will allow me to do that."

Another advantage, he said, is that he will be aided in his investing activities with the support services of a larger organization.

Officials at Hagler, Mastrovita did not return calls by press time.

Hagler, Mastrovita is the first firm to be acquired since UAM's offering and some think the company will announce at least one more transaction by year end.

Archer des Cognets, UAM's senior vice president-marketing, declined to comment on that matter beyond what the firm stated in its six-month financial reports, released in September. The report stated UAM expected to do "one or more deals" by the end of the year.

Hagler, Mastrovita is primarily an equity manager, although it runs some fixed-income and balanced accounts as well. It looks for undervalued companies relative to their earning power, mingling sector rotation with low price-earnings stocks and Graham & Dodd techniques.

Style is less a factor in UAM's buying strategy, however. "Generally, what we're looking for are firms that have demonstrated good strong track records," said Mr. des Cognets. Hagler, Mastrovita fit that bill.

Officials at Fort Hill, meanwhile, have been looking to diversify and offer money management services that complement its own value-oriented, risk-averse approach, said Orie Dudley, Fort Hill's chairman and chief executive officer.

Rollert's growth-stock equity style carries greater risk with it.

The fit goes a number of steps further, he said, in that Rollert is an equity manager running mainly corporate pension fund and university endowment accounts, while Fort Hill runs primarily balanced accounts for a large number of union and municipal pension plans.

The deal also will help Fort Hill move into another arena — mutual fund management. Rollert has run the Nova Fund, a $25 million mutual fund specializing in high-technology stocks, which is expected to become part of Fort Hill, pending approval of the fund's shareholders.

The merger comes after hard times for both investment firms, where performance suffered and accounts were lost. But they have begun to rebound.

Mr. Dudley said growth-stock management is returning to favor. Numbers for both firms have improved.

During the last fiscal year, Rollert achieved 20.35% growth for its equity-plus-cash portfolio and 21.27% increase in its balanced portfolio.

Fort Hill's 10-year annualized return recently ranked in the top 20% of SEI Corp.'s universe of balanced funds. ■

*Continued from page 41*

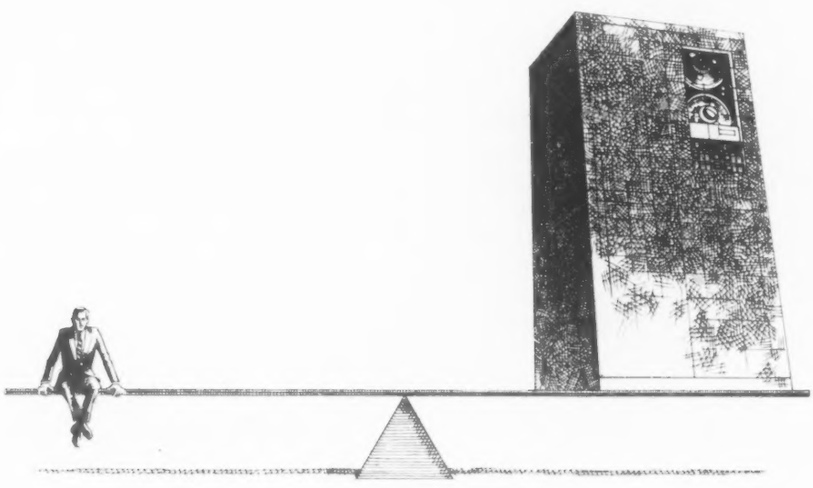
| | |
|---|---|
| **EAFE** | **43.3** |
| American Natl. Chicago (Equity) | 42.6 |
| IDS Trust (Equity), Minn. | 38.0 |
| Citicorp (Equity), N.Y. | 37.9 |
| Aetna MIM (Equity), Conn. | 36.8 |
| Bankers Trust (Equity), N.Y. | 36.1 |
| Marine Midland (Equity), N.Y. | 36.0 |
| Marsh & McLennan (Putnam) | 35.7 |
| First of Chicago (Equity), Ill. | 35.6 |
| Bessemer Trust (E), N.Y. | 34.4 |
| Wellington Trust (Equity), Mass. | 34.1 |
| US Trust (Equity), N.Y. | 34.1 |
| Wellington Trust (Pac. Basin) | 33.4 |
| RepublicBank (Equity), Dallas | 33.2 |
| Fidelity Mgmt. Trust (Equity) | 31.9 |
| Centerre Trust (W), Mo. | 30.9 |
| Morgan Guaranty (Equity), N.Y. | 29.9 |
| Mellon Bank (Equity), Pa. | 29.7 |
| Chase Manhattan (Global eq.) | 29.1 |
| Prudential (Global bond), N.J. | 28.7 |
| Travelers Hill Samuel (W), Conn. | 27.6 |
| HT Investors (Equity), R.I. | 26.1 |
| Bank of America (Fixed), Calif. | 22.5 |
| Prudential (Bond), N.J. | 22.2 |
| Citicorp (Fixed), N.Y. | 20.9 |
| First of Chicago (Non-dollar), Ill. | 20.3 |
| Morgan Guaranty (Bond), N.Y. | 19.7 |
| Wellington Trust (Bond), Mass. | 15.3 |

### 5-year returns

| | % |
|---|---|
| **EAFE** | **30.7** |
| IDS Trust (Equity), Minn. | 30.0 |
| American Natl. Chicago (Equity) | 29.4 |
| Marsh & McLennan (Putnam) | 27.7 |
| Citicorp (Equity), N.Y. | 27.3 |
| Bankers Trust (Equity), N.Y. | 27.2 |
| US Trust (Equity), N.Y. | 27.0 |
| First of Chicago (Equity), Ill. | 26.0 |
| Morgan Guaranty (Equity), N.Y. | 24.7 |
| Bessemer Trust (E), N.Y. | 24.6 |
| Centerre Trust (W), Mo. | 22.9 |
| Chase Manhattan (Global eq.) | 19.9 |
| Morgan Guaranty (Bond), N.Y. | 17.9 |
| First of Chicago (Non-dollar fixed) | 17.4 |
| Citicorp (Fixed), N.Y. | 16.1 |

### 10-year returns

| | % |
|---|---|
| US Trust (Equity), N.Y. | 22.5 |
| **EAFE** | **22.4** |
| Morgan Guaranty (Equity), N.Y. | 20.0 |
| First of Chicago (Equity) | 18.9 |

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# Hansen . . .

*Continued from page 2*
consideration because, "if there was a business combination, it would have to be one that provided the best future and protection for Hansen employees and clients as well as (giving) value to shareholders."

"Over the past several years, there have been all kinds of discussions that have taken place with all kinds of people for a variety of reasons," he said.

Douglas Stegner, vice chairman of Mercer-Meidinger, confirmed discussions with Hansen officials were taking place, but declined to describe the nature of the talks.

Mr. Stegner did say, however, that his company's recent acquisitions will not hurt its ability to pay for a firm the size of Hansen.

"I don't think we'd be talking with them if we thought we didn't have the resources," he said.

While the price Mercer-Meidinger would pay for Hansen was not disclosed, historically the purchase price of consulting firms has been about equal to one year's billing revenue of the target firm.

James A. Curtis, chairman of Milliman & Robertson Inc., an actuarial firm in Seattle, said some recently acquired European firms were sold for as much as 1.7 times annual billing revenue.

"It used to be that one thought in terms of one times a year's billed income," said Mr. Curtis. "But, it sounds like that might be on the low side now."

Mr. Borleis agreed with Mr. Curtis. "That seems to be a rule of thumb in this industry. Whether that's coincidence or reality, I don't know," he said.

Hansen officials may be considering the merger as a means of allowing some of its older employees to sell their shares of stock, after other means of appeasement failed.

In March, Hansen's directors switched the valuation method for its shares from a book value method to a market-value approach. The switch increased the price of the stock by about 60%, said a former employee.

He said while the increase in stock price pleased some of the older employees, who had accumulated large holdings, it angered the younger professionals looking to purchase more equity in the company.

David A. Powers, executive director of the Colorado Fire and Police Pension Association, Denver, a client of Hansen's, said he is aware of the disruptions taking place within the firm.

Older employees still might believe the price of their Hansen stock is too low.

"What you have is a faction of older employees who are getting close to retirement who are forced to sell back their stock at an artificially depressed price," Mr. Powers said.

Mr. Powers said his fund uses Hansen for actuarial and investment consulting. He said the fund probably would stay with Hansen on the actuarial side. He added he would be "highly sensitized" to any changes on the investment consulting side.

Mr. Borleis said he doesn't anticipate any departures from either Hansen's personnel or its client base. ■

# SEI median . . .

*Continued from page 2*
total universe to ensure there is no significant difference.

The sample size was incorrectly reported to be 300, said Jim Minnick, senior vice president at SEI Funds Evaluation, but he declined to specify the correct size saying it varied according to the kinds of accounts being reported upon.

*P&I Age* regrets the error.

• An Oct. 27 article describing **Moore, Grossman & deRose Inc.**'s lawsuit against Frederick A. Moran incorrectly stated Mr. Moran allegedly sent account transfer forms to clients of Moran, Moore, Grossman & deRose, as the firm previously was known, before he left it. Although the complaint alleged Mr. Moran "tried to solicit clients while still employed" at the firm, it did not specifically state when Mr. Moran sent the account transfer forms to clients, the plaintiffs' lawyer said. Mr. Moran denied sending the forms while still employed by the firm.

• The Pensions & Investments' Performance Evaluation Report fixed-income fund performance figures for **Beverly Bank**, Chicago, were printed incorrectly in the Nov. 10 issue. The correct returns for periods ended Sept. 30 are: for the quarter, 2.9%; the year, 21.3%; three years, a compound annual 17.7%; five years, an annualized 20%; and 10 years, an annualized 12.5%.

• The **Salomon Brothers Broad Investment Grade bond index** figures for the quarter, one-, three- and five-year periods ended Sept. 30 were reported incorrectly in the Nov. 10 issue. The correct numbers are 2.5%, 20.4%, a compound annual 17% and a compound annual 19.9%, respectively.


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|---|---|---|---|---|---|
| KFS Fixed Income Returns | 24.9% | 18.7% | 16.5% | 21.1% | 16.7% |
| Percentile Rank Bond Funds | 14 | 17 | 2 | 4 | 14 |

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Performance figures are unweighted total rates of return. Prior to 1983, the universe of accounts was a composite of the fixed income account portion of the ten largest discretionary pension and tax-exempt balanced accounts. After that, the composite was increased to include all fully discretionary fixed accounts and the fixed income account portion of balanced accounts. Comparison universe is SEI Bond Funds: Total Fund as of 12/31/85.


# Late news

## PBGC withdraws bid

CHICAGO — The Pension Benefit Guaranty Corp. has withdrawn its request to impose a lien on Navistar International Corp.'s assets, pending resolution of the PBGC's lawsuit against Navistar.

In exchange for the withdrawal, Navistar agreed to give the PBGC five days' notice of any planned action that would encumber more than 75% of the company's assets. In that event, the PBGC would be free to seek further relief, which Navistar could oppose.

The PBGC sued Navistar, then called International Harvester Co., in 1981, charging the Chicago-based company is responsible for the unfunded pension liabilities of its former Wisconsin Steel Co. unit. Wisconsin Steel, Chicago, terminated its underfunded pension plan after filing for reorganization under Chapter 11 of the Federal Bankruptcy Act in 1980, three years after the steelmaker was sold to Envirodyne Industries Inc., also of Chicago. The PBGC had been seeking a $125 million lien on Navistar to secure its claims.

## LTV waiver denied

DALLAS — An Internal Revenue Service decision denying The LTV Corp.'s request for a waiver of its $215 million pension contribution for 1985 may put pressure on the Pension Benefit Guaranty Corp. to take action on the severely underfunded plans.

Dallas-based LTV was notified that its request for a waiver on 12 plans with total assets of $1.5 billion had been turned down by the IRS, said an LTV spokesman. Most of the assets are held in four plans.

Steven Brooks, a steel analyst with Moody's Investors Service, New York, said the IRS decision, while not unexpected, would put pressure on the PBGC to step in and terminate the plans as it did earlier this year for LTV's Republic Steel plans.

If the PBGC accepts the nearly $2.3 billion in additional liabilities included in the LTV plans, Mr. Brooks said Congress may have to authorize additional money for the agency.

A PBGC spokesman said agency officials are taking a careful look at the LTV situation but no decision has been made.

If the PBGC were to terminate the 12 LTV plans, its current $2 billion deficit would more than double to $4.3 billion.

## RJR picks Bennett

RALEIGH, N.C. — Robert Bennett Jr. will succeed Gene Hoots as president of RJR Investment Management Inc., the in-house subsidiary that manages the $2.4 billion pension fund of RJR Nabisco Inc.

Mr. Hoots is scheduled to leave in late November to join the New York money management firm of Reich & Tang Inc. as vice president-client services.

Mr. Bennett most recently headed RJ Reynolds Credit Corp.

## Fund takes action

SACRAMENTO, Calif. — The $37 billion California Public Employees' Retirement System has introduced resolutions to 43 companies that have "poison pills," according to Jose M. Arau, principal investment officer.

Poison pills are designed to make hostile takeovers prohibitively expensive.

"We think poison pills without shareholder approval infringe upon shareholders' rights of determining whether direct action is in favor of shareholders," Mr. Arau said.

Among the companies to which the resolutions were submitted are: NCR Corp., Dayton, Ohio; Monsanto Co., St. Louis; Aluminum Co. of America, Pittsburgh; Union Camp Corp., Wayne, N.J.; Great Northern Nekoosa Corp., Stamford, Conn.; Honeywell Inc., Minneapolis; and Unisys Corp., Detroit.

Thirty of the resolutions were sponsored with the California State Teachers' Retirement System and one with the Wisconsin State Board of Investment, Madison.

## UAM acquires 2 firms

BOSTON — United Asset Management Corp., a holding company of institutional investment management firms, announced it has acquired Investment Counselors of Maryland Inc. and The Rothschild Co., both in Baltimore.

The sales prices were not disclosed. The terms of the acquisitions state each firm will continue to operate independently. United Asset receives an undisclosed portion of the firms' gross revenue.

Investment Counselors, which offers stock, equity and balanced management capabilities, runs about $1.8 billion in assets, of which about $1.3 billion is tax exempt.

Rothschild, an equity manager employing low price-earnings, emerging growth and Graham & Dodd principles, manages about $900 million in total assets; about $600 million is tax exempt.

UAM now owns 14 investment management firms, with about $17.7 billion in assets under management (*see story page 42*).

## Sysco Corp. hires

HOUSTON — The Sysco Corp., a major national wholesale food distributor, hired RepublicBank Dallas as trustee for its $6 million profit-sharing plan.

Republic was selected because of its reputation in the trust area, said Sysco Treasurer LaDee Riker, and because the company already had a commercial banking relationship with the bank.

## Harris, Dunedin fund

CHICAGO — Harris Bank has appointed Dunedin Fund Managers Ltd., Edinburgh, Scotland, as investment adviser for non-U.S. securities.

The first joint product of the bank's trust department and Dunedin will be a commingled foreign equity fund, which will invest mainly in European and Far East stocks.

Conrad R. Metz, Harris' assistant vice president and a member of the equity research division, has been named U.S. coordinator of the fund.

Dunedin manages approximately $2 billion; Harris Bank has more than $12 billion in pension, profit-sharing and personal assets under management.

## Joint venture set

BERKELEY, Calif. — BARRA, a company specializing in investment technology, and Nikko Securities Inc., Tokyo, have formed a Tokyo-based subsidiary, NB Investment Technology Ltd.

The firm's principal product is the Japanese Equity Model, a software model of the Japanese securities market to be used as a data base in investment analysis.

It will offer BARRA's domestic and international products in Japan and has begun developing a Japanese fixed-income model.

Three Japanese money management firms are clients. Its president is Osamu Tanaka, former head of Nikko's Paris office.

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Pensions & Investment Age

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# Project gets $160 million from U S WEST

By John Covaleski

JERSEY CITY, N.J. — In a significant move into developmental real estate, the $6.3 billion U S WEST Inc. pension fund will invest about $160 million in an unfinished office project in Jersey City, just across the Hudson River from Manhattan's financial district.

The Harborside Financial Center is only 35% leased for its projected 2 million square feet of office space. Pension funds usually shy away from such deals because of the additional risk involved, preferring more fully leased properties.

While some funds have gotten their feet wet in developmental projects, most do it by sharing the risk with other investors.

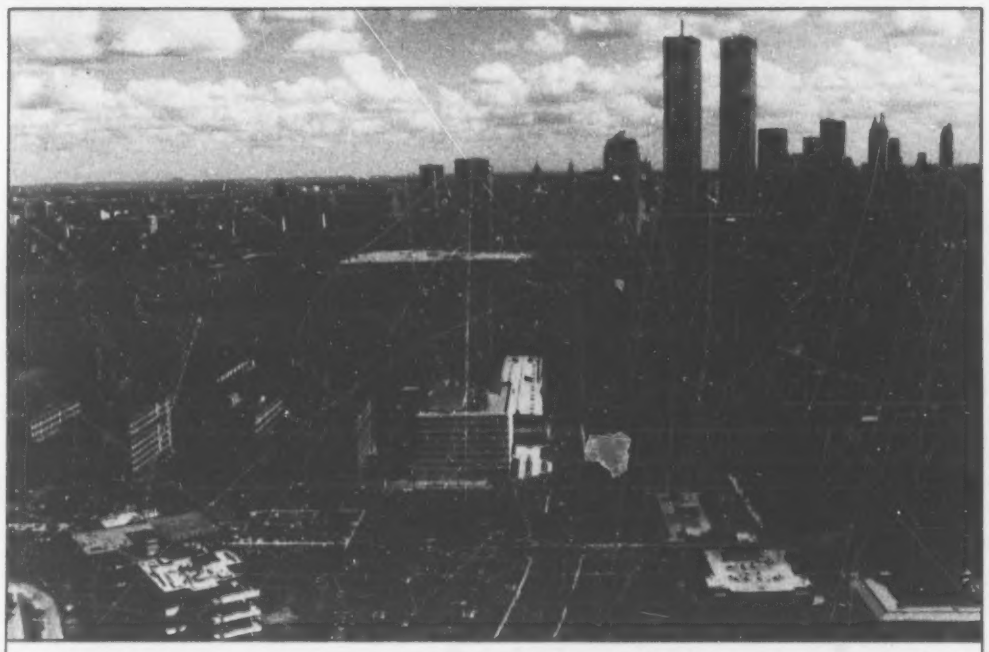
In this case, however, the Englewood, Colo.-based U S WEST pension fund is the sole equity investor in the 50-acre project designed to lure Wall Street back-office operations from Manhattan. In addition, the project will be leveraged through construction loans.

The fund should be able to double the value of its investment during the next four years, without taking on more risk than it would through a joint venture arrangement, said Stephen Furnary, a principal with Jones Lang Wootton Realty Advisors, New York, the pension fund's adviser on the project.

Mr. Furnary predicted average annual returns of between 17% and 23%.

The fees Jones Lang Wootton will receive for developing, managing and leasing the development will be about 5% to 10% higher than real estate investment advisement fees on typical projects.

This is because the fund will get the entire return and won't have to split it with a developer, said John A. Weisz, principal and chief investment officer of Jones Lang Wootton.



*Harborside Financial Center (the complex along the river in the left foreground of the photo) is a developmental real estate deal for U S WEST Inc. The pension fund is the sole equity investor in this project in Jersey City, N.J., which is across the Hudson River from Manhattan.*

U S WEST put up $60 million in cash and assumed a $60 million construction loan. In addition, $120 million — two-thirds of it in loans — will be invested by U S WEST in the project's renovation during the next 24 months.

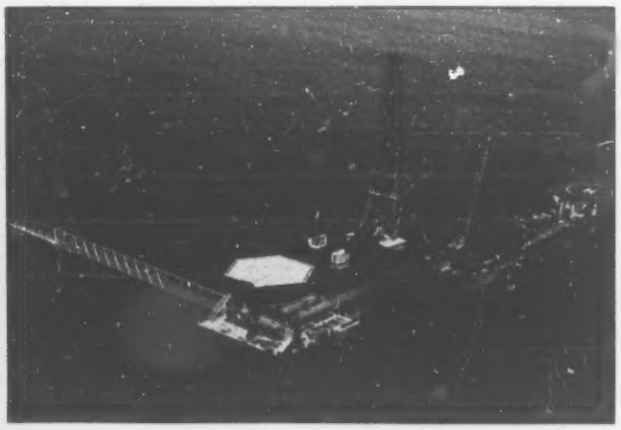
Harborside is a former railroad freight warehouse, which a partnership has been converting into office space since 1982. Some 700,000 square feet has been converted thus far by the partners, Michael W. Sonnenfeldt and David M. Fromer. The project also includes 50 acres of waterfront land and two piers directly across from Manhattan's World Trade Center.

Plans by Jones Lang Wootton and the U S WEST fund call for renovating the entire warehouse property into back-office and re-

*Continued on page 59*

# Inside:

TERMINATIONS: A thirst for cash and improved earnings has prompted almost 30 oil service companies, which are experiencing an economic slump, to terminate overfunded pension plans — page 3.



# U.S. widens bid for surplus

## NASA, Energy Department seek piece of pension pie

By Barry B. Burr

WASHINGTON — The National Aeronautics and Space Administration and the Department of Energy want a share of the surplus assets from pension plans terminated by their contractors and credits or refunds for contributions to fully funded plans.

The agencies' moves come on the heels of similar action by the Department of Defense. They are a sign that the effort to recover overpayments of pension contributions in contracts is sweeping throughout government departments.

"You are dealing with a hot issue right now," said John J. Edmondson, the Department of Energy's director of employee compensation benefits who oversees contractors' pension expense.

Speaking of contractors with plans at the full-funded status, Robert Lynch, NASA price analyst said, "We have a good reason to believe it's a pervasive problem." Mr. Lynch sits on two government committees that oversee cost and accounting principles for contractors.

The effort originated with the Department of Defense a few months ago. The department has shared in, or is seeking to share in, several reversions from the termination of overfunded pension plans. The department also has received credits for contributions made to so-called fully funded plans (*Pensions & Investment Age*, Nov. 10 and Nov. 24).

In a separate matter, the General Accounting Office issued a report critical of the timing of contractors' funding of pension costs.

The report, sent to Secretary of Defense Caspar W. Weinberger, found contractors often defer funding of their pension plans, even though the costs already have been allocated to the Pentagon.

*Continued on page 58*

# *Soft-dollar use still a puzzle*

By Chuck Paustian

Pension funds and their money managers still are attempting to understand the implications of statements by the Department of Labor and the Securities and Exchange Commission that could drastically affect the use of soft dollars to pay for investment services.

More than six months after the two statements were released, many pension executives remain unaware of them, and money managers and consultants disagree over their interpretation and their likely impact.

While the statements didn't outlaw the use of directed brokerage commissions, the guidelines regulating their use were tightened.

Both agencies stipulated directed brokerage arrangements are permissible only if best price and best execution are obtained: The burden of proof of best execution resides with the pension executive and the investment manager.

The Department of Labor's technical bulletin states soft dollars can't be used to pay for services, such as performance measurement, unless the pension plan's assets would have been used to pay those services.

The SEC's interpretive release said investment managers can't aggregate managed accounts in

*Continued on page 57*

# Venture, LBO funds attract 4 investors

By Trudy Ring

The U S WEST Inc. pension fund, the Massachusetts Pension Reserves Investment Trust, the Minneapolis Employees' Retirement Fund and the Ryder System Inc. pension fund have made commitments to venture capital or leveraged buy-out partnerships.

The commitments total $25.5 million without U S WEST's; officials there wouldn't reveal the amount they allocated.

Commitments by the first three funds are part of ongoing venture capital or leveraged buy-out programs; Ryder System's commitments apparently are its first, although company officials were not available to confirm this.

The $6.5 billion U S WEST fund, Englewood, Colo., and the $1.7 billion Massachusetts PRIT, Boston, both committed to Boston-based TA Associates' Media Communications Limited Partnership.

TA officials said the U S WEST fund is one of the larger investors. Dan Kelly, PRIT director of program development, said his fund committed $10 million.

U S WEST has made commitments to several venture capital partnerships, but its exact allocation was not available. PRIT has less than 1% of its assets in venture capital and leveraged buy-outs.

The media partnership will acquire companies in the cable and broadcast television, radio, outdoor advertising, paging, cellular telephone, specialty publishing and security monitoring industries, Mr. Kelly said. He characterized the partnership's investments as being closer to leveraged buy-outs than venture capital. But David Braman, U S WEST manager-trust investment management, described them as venture-oriented, with the general partners taking an active role in the companies acquired.

David Croll, managing general partner of the media fund, said the partnership actually is a hybrid, using some of the management techniques of venture capital and some of the financial structure of leveraged buy-outs.

The partnership will concentrate on developing companies, he said: "We do not buy mature properties and leverage the dickens out of them."

The fund had an initial closing Nov. 26 with $200 million in commitments, more than half of that from tax-exempt institutions, Mr. Croll said. Besides the U S WEST and Massachusetts funds, these investors include several universities and money managers investing on behalf of pension funds. The partnership will take commitments for another 90 days, with a maximum of $50 million in additional funds to be accepted, he said.

Mr. Kelly added PRIT officials were impressed with the partners' track record. Wilshire Associates, Santa Monica, Calif., helped screen the fund for PRIT.

U S WEST also made a commitment of undisclosed size to Davis Venture Partners, Tulsa, Okla., which will provide expansion capital for companies, primarily in the Southwest. Davis also was one of three funds receiving commitments from Ryder System.

The $750 million Minneapolis employees' fund committed $3 million to Superior Ventures and $2 million to Minnesota Seed Fund II, both of Minneapolis, said John Chenoweth, executive director. Both are venture capital funds focusing on investments in Minnesota.

Other tax-exempt investors in Superior Ventures, managed by IAI Venture Capital Group, Minneapolis, are the Control Data Corp. and Pillsbury Co. pension funds, both of Minneapolis; and

*"For those that have that capability (for direct venture capital investments), there is a very attractive payback."*
— John Chenoweth, director, Minneapolis Employees' fund

the Minnesota State Board of Investment, Bush Foundation and University of Minnesota endowment fund, all of St. Paul (*Pensions & Investment Age*, Sept. 29). The Control Data fund also is an investor in Minnesota Seed Fund II (*P&I Age*, Nov. 24).

The Minneapolis employees' fund also committed $6 million to the Regent Corp. Partnership, Denver, which Mr. Chenoweth described as a hybrid venture capital-leveraged buy-out fund. It will provide capital for acquisition of security monitoring systems.

The retirement fund put another $1.5 million into direct venture capital investments. The fund has made direct placements with high-technology companies around the nation, Mr. Chenoweth said.

The fund usually makes direct investments in companies in which one of its limited partnerships also is an investor, he said. Direct venture capital investing, rare among pension funds, is not for everyone, he said.

"It requires appropriate internal staffing to do that," he said. "For those that have that capability, there is a very attractive payback. It also strengthens the partnership if some of the partners have the capability to do that."

The Minneapolis fund has about 3% of its assets in venture capital and leveraged buy-outs. About three-fourths of that is in limited partnerships, the remainder in direct placements.

The $122 million Ryder System pension trust, Miami, committed $1 million to each of three venture capital partnerships earlier this year, according to a fact sheet provided by the company. The three are Lawrence Venture Associates, New York and Nashville, Tenn.; Venture Capital Fund of New England II, Boston; and Davis Venture Partners.

These appear to be the fund's first venture capital commitments, but company officials weren't available to elaborate on the fact sheet.

The Lawrence fund focuses on health care and electronics and the New England fund on high-technology companies in that region. All have attracted numerous tax-exempt investors. ■

# Harvard taps oil and gas

## Endowment commits $20 million to Harken deal

By Fred Williams

CAMBRIDGE, Mass. — The $3.5 billion Harvard University endowment is pumping up to $20 million into acquiring oil and gas reserves in its first direct investment in oil and gas.

Michael Eisenson, partner with Harvard Management Co., Cambridge, which manages the endowment, said the money will be invested over the next two years with Harken Oil & Gas Inc., Dallas, in separately negotiated acquisitions of oil and gas reserves and, secondarily, in energy-related companies.

The deal could be considered "bottom fishing" to a certain extent, said Mr. Eisenson, given the current depressed state of the petroleum industry throughout the nation, and particularly in Texas.

"We think over the next five to 10 years, today's prices will look like a relative minimum. We may not be at an all-time bottom, but gas prices are relatively inexpensive right now," he said.

The $20 million commitment by Harvard to oil and gas is centered on natural gas acquisitions, he said, "but we'll be open to a range of things from production to exploration."

Tax-exempt institutions have stayed away from direct investments during the free-fall in oil prices. Asked why Harvard is interested, Mr. Eisenson said the investment is long term, and he expects prices to increase and demand for natural gas to grow.

"I think, fundamentally, we're convinced that natural gas prices can't remain below replacement costs. Prices have to rise and will have to rise significantly if the United States is to maintain its reserve base. The reserve base is declining fairly rapidly, and it's a reasonably high level of importance to the United States that it have energy assets.

"So we think it's cheap now. Properties valued at or near today's prices for natural gas will provide a nice return for those willing to wait five or 10 years to realize those returns.

"It is the nature of this fund that allows us to take that longer term approach," said Mr. Eisenson.

In another development, Harken officials said an agreement has been reached to sell 1,351,351 newly issued shares of Harken restricted common stock for $2 million cash in a private placement to Aeneas Venture Corp.

Aeneas is an investment affiliate of Harvard University, associated with Harvard Management, dedicated to non-public market investing, such as direct investments or private placements.

Donald Beane, also a partner with Harvard Management, has been appointed to the Harken board of directors. Harken is a publicly held independent oil and gas company.

# Staff altered tax bill wording

By Richard Gillespie

TAX REFORM

WASHINGTON — Congressional staff members made unauthorized changes in critical wording affecting pension plans after the House-Senate conference committee had approved the 1986 Tax Reform Act but before it became law, employee benefit experts charge.

If not reversed, the change could increase administrative costs, and even the cost of plan funding, for many companies.

It also could create inequities among plans, depending on how various companies respond.

In the final act, wording in the section on the integration of plans with Social Security was changed, substituting "compensation" for "Social Security benefit," which in effect alters the formula for integrated plans.

Integrated plans are pension plans that coordinate a payout with Social Security to provide a final benefit.

In particular, the change most affects offset plans, which now give a formula for a final benefit, then express an offset as a percentage of the Social Security benefit.

A significant number of salary-based pension plans are offset-type plans, according to Myron Hochheiser, a benefits consultant with Buck Consultants Inc., New York.

One analyst estimated the number of offset plans to be between 40% and 60% of all salary-based plans.

"The surprise change could have a significant impact on employers and necessitate a major revamping of their (offset) plans," according to a statement put out by Buck Consultants, which first noticed the change.

An offset plan might, for example, specify a pension benefit of 1.5% of compensation per year of service, from which is deducted a percentage of the Social Security benefit.

Under the new law, which goes into effect for plan years beginning 1989, a formula limits the offset to three-quarters (or less) of a percentage point of final average three-year pay up to a maximum of the Social Security wage base for each year of service (with a maximum of 35 years).

The original wording stated the limit as a percentage of Social Security benefit rather than final pay.

If there were a consistent relationship between average compensation and Social Security benefit, the change would have been simply a different way of stating the same concept.

No such relationship exists, so distortions must occur, said Mr. Hochheiser.

At the time of the change, conference committee staff members were drafting the bill into statutory wording in what is supposed to be a purely mechanical process. Experts with the Internal Revenue Service were known to be helping the staff members because the area is so technically complex.

"As far as we can tell, it was a job given to staff and the conference committee's instructions to

*Continued on page 55*

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## Opinion

# Pension facts vs. mythology

MYTHS DIE HARD. Facts are the only weapon that can be used against myths, and even facts very often cannot slay them, merely wound them.

One myth that has survived for more than a decade in the face of contrary evidence is that the nation's pension funds were buying an ever-increasing share of the nation's companies. This would lead inevitably to pension fund socialism, the analysts declared.

But as Sportin' Life cautioned in "Porgy and Bess," "It ain't necessarily so."

The latest figures on the assets and holdings of the nation's pension funds suggest they own about 18% of all equities in the U.S. economy — a slight decline from the 20% estimated a decade ago.

The figures were compiled by the Employee Benefit Research Institute in conjunction with the Trust Universe Comparison System and the Federal Reserve System.

The figures show there is no danger of pension funds devouring America's corporations.

To be sure, pension funds as a group own substantial positions in some of the nation's largest companies. For example, institutions, including pension funds through their investment managers, own 60% of CBS Inc., 78% of CIGNA Corp., 51% of CPC International, 52% of Emhart Corp., 53% of GTE Corp. and 66% of Manufacturers Hanover Corp.

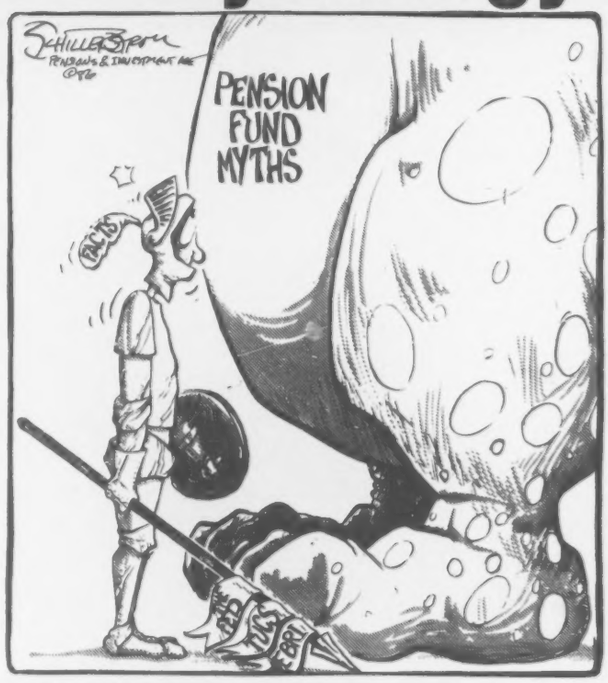
But there is no great tidal wave of pension fund ownership of corporations sweeping over the economy.

The figures also showed that, contrary to another myth, companies were not stashing billions of unneeded dollars in their pension funds. Benefit payments from private pension funds exceeded contributions by $81.5 billion in the two-year period ended June 1986.

Some of the provisions of the recent tax reform law, and other laws before it, seem to suggest Congress believes companies are building giant slush funds in their pension plans.

This impression has no doubt been fostered in part by the termination of overfunded pension plans by a smattering of companies seeking to recover the surplus assets.

If Congress had had the new figures on pension fund assets and growth trends when drawing up the tax law, the pension provisions of the new law might be different.




Unfortunately, although Congress mandated the gathering and dissemination of statistics from the 5500 Form filed by each pension plan each year, it never provided the Labor Department with funding for the project.

As a result, it has flailed in the dark, unarmed against the myths, possibly damaging the nation's non-federal retirement system in the process.

The facts that should be produced by EBRI, TUCS and the Federal Reserve System should help minimize damage in the future.

# Quick action needed in Boesky case

THE SECURITIES AND EXCHANGE Commission must expedite its investigation of insider trading violations revealed in the Ivan Boesky case.

Drexel Burnham Lambert Inc. and a number of Wall Street executives, none of whom have yet been charged with wrongdoing, have been put under a cloud of suspicion by rumors of subpoenas and taped conversations.

Indeed, at times it seems the SEC is conducting its investigation by using rumor to flush its quarry into the open as hunters use dogs to flush quail.

Unfortunately, the rumors also are flushing investors from the markets, particularly the junk bond market. The junk market, although it has been used by raiders to acquire companies to the dismay and disapproval of some, serves a useful purpose.

Many of those takeovers have paid off handsomely to shareholders. And junk bonds have made it possible for entrepreneurial executives to buy a piece of a conglomerate in an attempt to run it more efficiently. When the dust clears, academics may find junk bond financing has helped U.S. industry become more efficient and competitive.

It would be unfortunate if Drexel Burnham and the executives who pioneered junk bond financing were innocent of any wrongdoing and yet were severely wounded by the SEC investigation because it was allowed to drag on too long.

At the very least, it can curb the rumors.

## Letters to the editor

### Chart data wrong

To the Editor: The International Directory published Aug. 4 incorrectly listed Bessemer Trust as having $507 million in U.S. tax-exempt assets under management for international accounts in one of the charts.

The chart that appeared on page 16 should have listed Bessemer as managing $101 million in international assets for ERISA clients.

The $507 million shown are the total assets under management for ERISA clients.

Bessemer's entry in the directory on page 18 is stated correctly.

**Robert C. Elliott**
Senior executive
vice president
Bessemer Trust Co.
New York

### On Wyatt study

To the Editor: Regarding your Oct. 13 article, "Industrial firms increase pension benefits," regarding the Wyatt study.

First, I want to thank you for all the good information you provide to us practitioners.

The comment that I have to make regarding that article is twofold.

- For those of us whose pensions are related to "final average salary" and who might want to compare ourselves to the leaders, it would have been beneficial to understand exactly what the $39,600 final average salary is.

Is it the last year's pay, or is it the average of a certain number of prior years' pay?

Based on the later reference ". . . , $30,566, which will replace 77.2% of final pay . . . ," it would seem that it was the last year's pay.

- It would have been valuable, I think, if the article had distinguished between "retirement income" and "pension benefits."

Many companies, including those listed, provide "pension benefits" under defined benefit pension plans, and provide additional benefits (considered retirement benefits) under a variety of defined contribution plans (such as profit-sharing plans, 401(k) plans, thrift plans, etc.).

Employers and employees look at the total picture.

I believe your article should have clarified whether or not it was looking at the total picture.

I suspect it was not.

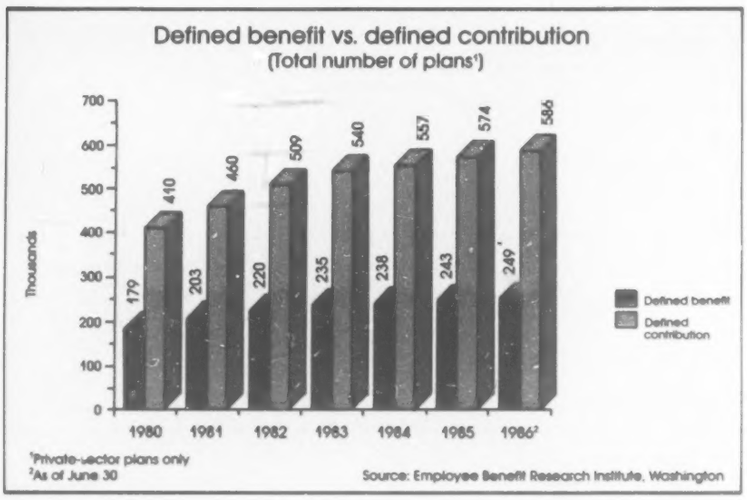
Sorry for the negative comments.

You are ordinarily such a beneficial resource about what is going on in my business.

Keep up the good work.

**Kevin J. Gordon**
Corporate director-benefits
Barnes Group Inc.
Bristol, Conn.

Pensions & Investment Age




# Defined contribution plans

# Defined contribution to survive tax reform

By Chuck Paustian

Corporations will continue to establish defined contribution plans despite some provisions of the Tax Reform Act of 1986, but defined benefit plans will remain the primary retirement vehicle used by corporations, benefit experts predict.

The tax legislation might slow the growth of defined contribution plans because of the restrictions and limitations placed on these plans under the new law.

But many employee benefit consultants said one area of continued growth of defined contribution plans will be among small- to medium-size companies.

Large corporations, the consultants said, will use defined contribution plans mostly to supplement their existing defined benefit plans.

The benefit experts also said the role of defined contribution plans will change to one of retirement savings from one of short-term capital accumulation.

Statistics compiled by the Employee Benefit Research Institute, Washington, show the growth of the number of defined contribution plans has slowed, but remains steady at about 2% to 3% annually.

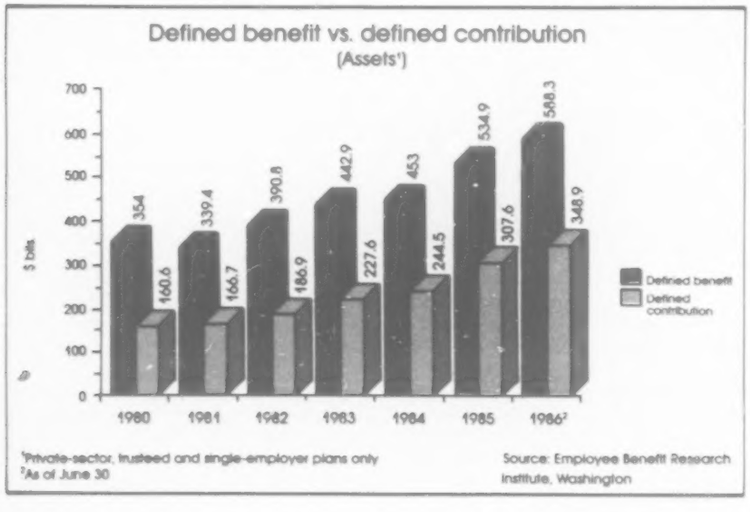
At the end of 1985, the number of defined contribution plans had increased about 3% to roughly 574,000, from the 557,000 plans as of Dec. 31, 1984. The 1984 figure marked a 3% increase from the 540,000 plans as of the end of 1983.

The growth in the number of defined benefit plans has progressed at a similar rate.

At the end of 1985, the number of defined benefit plans had increased to about 243,000, up 2% from 238,000 as of Dec. 31, 1984. The 1984 figure was a 1% increase from the 235,000 plans as of the end of 1983.

The EBRI data also showed the growth of defined contribution assets continues to outpace the growth in defined benefit assets.

*Continued on page 28*



*Park Davidson of Burlington Industries applies portfolio insurance to the firm's fund. Halliburton, at which Nathaniel Duffield is head of profit sharing, is considering using dynamic hedging.*

# Portfolio insurance is gaining exposure

By Trudy Ring

While pension fund executives have applied dynamic hedging primarily to defined benefit plan funds, their interest in using it for defined contribution plans is increasing.

Burlington Industries Inc., Greensboro, N.C., for example, is applying the strategy to the roughly $20 million equity exposure of the $105 million defined contribution plan.

In dynamic hedging, also known as portfolio insurance, a manager adjusts a portfolio's market exposure, usually through the short sale of futures, when the portfolio's value declines. The goal is to provide a minimum rate of return while permitting capture of as much upside gain as possible and to do so without forecasting. It can be applied to bond portfolios, but most commonly has been used for equity accounts.

Tax-exempt assets totaling $45 billion are hedged in this manner; those in the industry said most of this is for defined benefit plans, but an exact breakdown was not available.

Burlington Industries officials decided to try portfolio insurance on the defined contribution plan because the plan is one of two that provide retirement benefits for its hourly workers, said Park Davidson, assistant vice president-finance. The other is a defined benefit plan, with the company bearing the investment risk, but because benefits from the profit-sharing plan depend on investment performance, the company decided to try dynamic hedging on it.

"We felt that was an appropriate portfolio to start with," he said.

J.P. Morgan Investment Management Inc., New York, is providing the hedging; Alliance Capital Management Corp., New York, manages the equity allocation in an index fund. The hedging program aims for a minimum return of −5% over a year.

Burlington Industries hasn't used dynamic hedging in its defined benefit plans, but might do so, depending on how this program goes, Mr. Davidson said. "We'll let time do the deciding for us," he said.

A fund that has used dynamic hedging for defined contribution plans for some time is Trans World Airlines Inc., New York.

TWA has used the strategy since August 1984 to protect the equity portion — $634 million — of a $900 million defined contribution plan. It is not TWA's primary retirement plan, but because benefits from the plan depend on investment performance, the company uses portfolio insurance to reduce volatility.

Leland O'Brien Rubinstein Associates Inc., Los Angeles, is TWA's dynamic hedging manager.

Pension officials at Halliburton Co., Duncan, Okla., are considering using portfolio insurance. The company's three major retirement plans, with assets of $1.8 billion, are all defined contribution plans.

"If portfolio insurance really works, there could be a place for it in defined contribution plans," said Nathaniel Duffield, chairman of the profit-sharing committee.

Halliburton likely would use the strategy only for employer contributions, which amount to slightly more than $1.1 billion, Mr. Duffield said. The employee contributions, which are in a 401(k) plan and in voluntary after-tax contributions to other plans, are largely in guaranteed investment contracts.

The committee probably will not make a decision on portfolio insurance for a few months, Mr. Duffield said. "We've been looking at it since about early July," he said. "We're just not convinced at this time that it's exactly what we want to do. I'm sure there are some pros and cons."

John Steinbach, assistant treasurer and investment manager at K mart Corp., Troy, Mich., is looking at offering an equity fund hedged with portfolio insurance as an investment option for the company's $500 million savings plan. He hasn't decided whether to recommend it to the pension committee, though.

Explaining the strategy to employees could be a problem, he said. "I think that's part of where our hangup may be," he said.

*Continued on page 29*

# Well-versed in the alternatives

## Profit sharing main plan at American Greetings

By Fred Williams

CLEVELAND — Employee benefit specialists at American Greetings Corp. feel the company has developed an unusual marriage between the traditional defined benefit pension plan and the more contemporary defined contribution plan.

At American Greetings, the approximately $135 million profit-sharing plan is the primary retirement plan and the approximately $8.5 million defined benefit plan is the supplemental, or floor, plan. At most other companies, the situation is reversed.

Tim Strauch, manager of retirement and stock administration at American Greetings, said the company's interesting approach protects its more than 7,400 employees from down years for the greeting card company.

"The profit-sharing plan is the primary retirement fund, but the defined benefit plan (known as the Retirement Income Guarantee Plan) provides a floor protec-

*Continued on page 30*

# Contribution . . .

*Continued from page 25*

Defined contribution assets increased 26% to $307.6 billion as of Dec. 31, up from $244.5 billion at the end of 1984. Defined benefit assets grew 18% to $534.9 billion at the end of 1985, up from $453 billion as of Dec. 31, 1984.

Despite the gains made by defined contribution plans, benefit experts contacted by *Pensions & Investment Age* agreed defined benefit plans will remain the primary retirement vehicle among larger corporations.

"Defined benefit plans can accomplish things for a company and an employee that a defined contribution plan can't," said Frederick Rumack, director of tax and legal services at Buck Consultants Inc., New York, referring to the guaranteed retirement benefits and the ability of the employer to withdraw surplus assets.

Melvin W. Borleis, vice president and director of benefit consulting at A.S. Hansen Inc., Deerfield, Ill., added, "The most efficient way to provide retirement income is through defined benefit plans.

"It's still the cornerstone for the retirement programs for most companies," he said.

In fact, some of the provisions of the new tax law might slow some of the growth of defined contribution plans, especially 401(k) plans.

"I see the value of 401(k) plans can diminish in the future," said Gary A. Pines, an actuary with Towers, Perrin, Forster & Crosby, Chicago. "That's through the 10% excise tax, the lower tax brackets and after-tax contributions."

Congress placed a 10% excise tax on most early withdrawals from defined contribution plan accounts. In addition, the lower personal tax brackets give employees less of an incentive to defer taxes on a portion of their income.

Congress further reduced the attractiveness of employee contributions to a defined contribution plan by changing the way after-tax contributions are used in calculations to determine the maximum amount allocated to the employee's account in any year.

Previously, the lesser of one-half of total after-tax contributions or contributions in excess of 6% of W-2 pay was used to calculate the maximum amount allowable, which is the lesser of 25% of W-2 pay or $30,000.

"Now every dollar of after-tax contribution counts as an annual addition," said Mr. Rumack.

"You'll probably have less money going into these plans than you have had in the past because of these restrictions and limitations," he said.

While the star of defined contribution plans might be dimmed, it has not been extinguished.

"When you talk about smaller companies, I think defined contribution is still the way to go," said Mr. Pines.

Arthur Tepfer, director in the Chicago office of REBC Associates, an actuarial and benefit consulting division of Laventhol & Horwath, said smaller companies are re-examining the advantages of defined contribution plans.

"The general philosophy in the smaller, closely held companies is to focus on the tax benefit aspects of retirement plans in general, rather than the employee benefit aspects," said Mr. Tepfer.

"The plans are designed along those lines to 'shelter' income that otherwise would be taxed," he said.

The new tax law removes some of the tax advantages of defined benefit plans, he said. The reduction of the maximum benefit allowable from a defined benefit plan, for example, could put some funds in a fully funded status and remove the deductibility of the sponsor's contributions.

Though defined contribution plans will gain popularity among smaller companies, Mr. Tepfer emphasized defined benefit plans will not disappear.

"I'm not trying to indicate that defined benefit plans are dead. I'm trying to say that defined contribution plans will be more closely scrutinized for their wealth accumulation prospects and because there are no liability problems," he said.

The growth of defined contribution plans also should be bolstered by large corporations looking to supplement their defined benefit plans.

"I think what you'll be seeing in the future is companies basically offering a combination of both defined benefit plans and defined contribution plans," Mr. Rumack said.

A number of large companies — Allied-Signal Inc., Morristown, N.J.; Texas Instruments Inc., Dallas; and Owens-Illinois, Toledo, Ohio — already use defined contribution plans to supplement or improve the retirement income from their defined benefit plans.

"Our feeling has been that the defined benefit plan offers more security to the employees. They can really count on the amount of money that they're going to be getting," said Irene Leary, manager-employee benefit fund investments at Texas Instruments.

"As long as there is the incentive and the need for personal savings, and I think there always will be, then they (defined contribution plans) will remain important," added Ronald C. Boller, director-benefit finance at Owens-Illinois.

Benefit consultants agreed the key to the survival of defined contribution plans is a shift to viewing the plans as a retirement vehicle and away from viewing them as a short-term savings account.

"The Congress was deliberate in a couple things. One thing was to take the tax code out of the financial and investment decisions," said Mr. Pines.

"Two, they'll only give tax incentives for retirement savings, not short-term savings. Almost everything revolves around those two policies," he said. ■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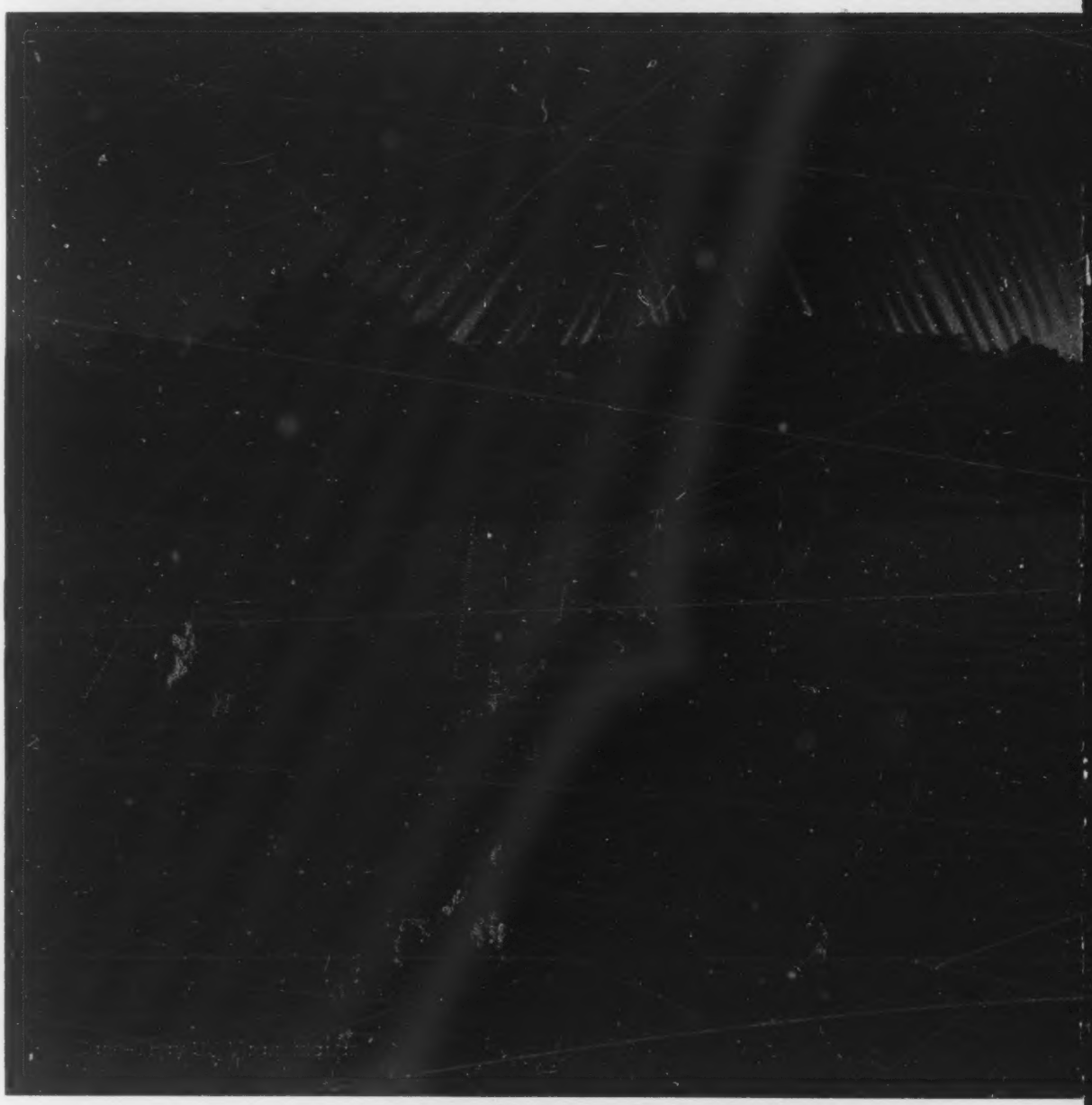

**Properties. One of four growth potential areas for CSX.**

CSX is managing new forces to increase shareholder value. And this $12 billion giant is building its strength not only in Transportation, Energy and Technology, but also in Properties.

The creation of the Properties business group signals a change in strategy as CSX moves to capitalize on the long-term growth prospects of its real estate investments. These include such mixed-use realty projects as Georgetown's Washington Harbour and Richmond's James Center. CSX Properties also includes some

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# Pensions & Investment Age



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## The road ahead:

The Image Bank

INVESTING IN '87: The three hottest investment areas of 1986 — portfolio insurance, indexing and international — will still simmer in 1987, and other derivative strategies will grow. A new consciousness of pension fund volatility, however, could lead executives to take a more conservative investment stance — page 3.

THE ECONOMY: Leading economists are expecting a low key year in 1987, predicting low inflation, low interest rates, modest improvements in the federal deficit and trade deficit and a 25% to 33% chance of recession. A story and table detail their predictions — page 3.

CORPORATE FINANCE: While few investment bankers expect the new year to match the old, they're not preparing to slow down — page 4.

CASH MANAGEMENT: 1987 is likely to be one of great change for corporate cash managers, as they face possible Fed restrictions, new instruments, changing bank relationships and GM's push into electronic funds and data


be at page 8.


# New network shuns brokers, cuts costs

**By Chuck Paustian and Brian Lehrer**

Seven institutional investors participated in the initial testing of a computerized trading network that bypasses brokerage houses and allows investors to reduce their commission costs to 1 cent per share or less.

The Deere & Co. pension fund, Moline, Ill.; Chase Investors Management Corp., New York; American National Bank & Trust Co. of Chicago; and The Northern Trust Co., Chicago, were among the traders in the initial electronic crossing Dec. 12, *Pensions & Investment Age* has learned.

A public pension fund and two other money managers were the other players.

The crossing system, developed by Instinet Corp., New York, electronically matches buyers and sellers of stocks through a central computer. Transactions occur after the market has closed at the price of the day's last sale, thus eliminating any market impact.

"Pre-crossing" computer matches, taking a matter of minutes, are used to line up both sides of the trade. The actual crossing takes less than one second.

Another 32 institutional investors have indicated their interest in the electronic trading network, said Edward C. Story, a partner in Plexus Group, Santa Monica, Calif., which is marketing the network.

Batterymarch Financial Management, Boston, and Aronson & Fogler, Philadelphia, have signed up to participate. The Teacher Retirement System of Texas, Austin, and the New York State Teachers Retirement System, Albany, are considering joining.

"Eventually, if this thing takes off the way we expect it to, it will make a major dent in the function in life of the brokerage houses," said Mr. Story.

The concept behind electronic crossing has been discussed by pension fund executives, consultants and money managers for several years.

BARRA, a consulting firm in Berkeley, Calif., and Jefferies & Co. Inc., Los Angeles, also have introduced an electronic matching network.

Instinet's network is designed to accommodate investors executing "informationless trades" such as for index funds. Such trades result from computer analysis or investment style.

Electronic crossing is similar to program trading and block trading, except share prices and commissions are not negotiated and the names of the stocks are known.

Mr. Story said the seven institutional participants were divided into passive and semi-passive investors. Passive investors — mainly index fund managers and those going through a major liquidation of holdings — "are operating on the least amount of information," he said.

The semi-passive group is composed of highly quantitative managers and internally managed corporate and public pension funds.

"Eventually, there will be two other groups involved," one for active managers and one for market functionaries, such as specialists and brokerage firms, Mr. Story said.

One of the attractions of the electronic matching system is the lower transaction costs possible


*Continued on page 48*


# 2 corporate plans shuffle $2 billion

**By Barry B. Burr**

Executives at American Information Technologies Corp. and Standard Oil Co. are shifting a total of about $2 billion in a restructuring of their pension funds' investments.

The $9.28 billion Ameritech fund in Chicago is pulling $1 billion from domestic equity managers to begin its first major in-house management and $500 million from those managers to place in its first bond index fund.

That's part of a strategic move to reduce its equity allocation to give fixed income a slight edge over equity in asset allocation.

Meanwhile, the $1.022 billion Standard Oil fund in Cleveland is moving into indexing for the first time, dismantling a $300 million bond portfolio and selling guaranteed investment contracts before their maturity in the "secondary market."

According to Jeffrey S. Molitor, Standard's manager-pension investments, Frank Russell Co., Tacoma, Wash., its regular consultant, is helping devise a long-term investment strategy.

Glenn A. Dever, supervisor-investment analysis at Ameritech, said fund officials so far have taken $500 million in-house as part of a planned $1 billion Standard & Poor's 500 stock index portfolio. He expects the other $500 million for the stock index fund to be turned over to Ameritech from the managers "very soon."

Mr. Dever said Ameritech will retain its 13 domestic equity managers, albeit with reduced assignments.

He said the fund is still withdrawing the money from the equity managers for the in-house management.

Once the other $500 million is turned over for the internal stock index fund, Ameritech will manage internally 11% of its total assets and 23% of its equity assets.

"It's conceivable" Ameritech could take more money in-house and run it actively, not just passively, Mr. Dever said.

"I don't think we'll do it in 1987," he said. "But maybe in 1988, 1989 we might."

National Investment Services of America Inc., Milwaukee, is overseeing Ameritech's bond index fund temporarily. Mr. Dever said Ameritech is planning to transfer the bond index assets to Lincoln Capital Management Co., Chicago.

Lincoln already runs equities for the fund. NISA oversees Ameritech's dedicated bond portfolio, which has grown to $3


*Continued on page 48*


# *Funds shelter surplus*

**By Richard Gillespie and Brad Rudin**

A new form of pension "parachutes" has been adopted by Morton Thiokol Inc., Chicago, while the more common structure has survived an initial court challenge in a takeover bid involving Joy Manufacturing Co., Pittsburgh.

Directors at Morton Thiokol, fearing the company's $310 million in surplus pension assets might attract a hostile takeover bid, adopted a plan that would prevent the company from terminating its $558 million pension fund for the purpose of withdrawing any surplus for a five-year period in the event of a hostile takeover.

This differs from more common pension parachute amendments that stipulate at least part of the surplus assets would enhance participants' benefits.

If an individual or group acquires more than 20% of the company's stock, the Morton Thiokol board would have up


*Continued on page 47*

# Raytheon getting out of real estate

**By John Covaleski**

LEXINGTON, Mass. — The $1.84 billion Raytheon Co. pension fund is liquidating its $60 million real estate portfolio and terminating its real estate investment managers.

Raytheon had about 4% of its $1.5 billion in defined benefit assets invested in real estate as of Sept. 30. About $40 million already has been returned to the fund. Some of the money has been allocated to equities; the rest is parked temporarily in cash reserves.

W. Bruce Livingston, manager-employee benefits for Raytheon, said he wanted out of real estate because the fund's allocation had been too small to be considered diversification.

Mr. Livingston said the fund reached — but never exceeded — the 4% level in real estate in 1980, despite plans to be to up to 5% by now and 10% later.

Asked why the fund did not increase its real estate holdings, Mr. Livingston replied, "The real estate industry has had its difficulties." He added the fund might invest in real estate again in the future.

He said the board of trustees decided to pull out of real estate because of poor returns, severe problems in the office market and concerns about liquidity.

In September, when Raytheon officials decided to pull out of real estate, office vacancy rates nationwide were averaging 16% and, in some cities, 30% or more.

"At the moment, our thinking is that real estate isn't a fit in our strategy," Mr. Livingston said.

The pension fund had assets in four open-end funds and one closed-end fund, all primarily investing in non-leveraged office, research-development and retail projects.

The open-end funds are run by Aetna Realty Advisors, Hartford, Conn.; the Real Estate Group of the Bank of Boston, Boston; J.P. Morgan Investment Management, New York. and John Hancock Life Insurance Co., Boston. Aetna also manages the Closed-End Real Estate Separate Account in which Raytheon invested.

Hancock and Morgan have returned the money to the pension fund.

An Aetna spokesman declined to speculate when assets would be returned from CERESA beyond saying it may take time to find a buyer. (Closed-end funds are more difficult to withdraw from than open-end funds because another buyer must be found for the withdrawing investor's portion.)

Bank of Boston officials have begun a year-long process of withdrawing Raytheon's money from the bank's fund.

Executives of other corporate pension funds contacted said their counterparts at Raytheon made an unwise move.

"In my opinion, this is not the right thing to do, not wise at all," said Alwyn E. Wolfarth, manager of the more than $3 billion Monsanto Co. fund in St. Louis.

Edward T. Tokar Jr., vice president-investments for the more than $4 billion Allied-Signal Inc. fund in Morristown, N.J., conceded real estate is not doing well now, but it will improve should inflation increase.

He said fund executives and real estate managers generally agree investors should

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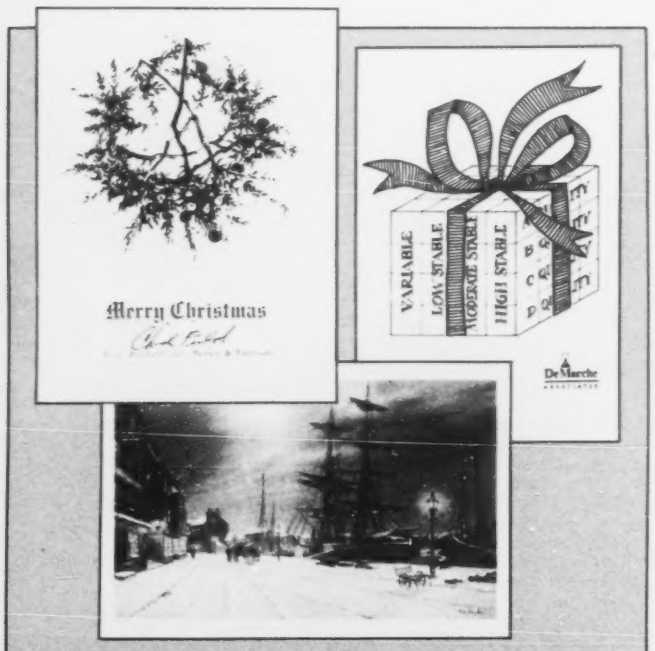


# Christmas cards may reveal more than firms realize

**By Chuck Paustian**

A picture may be worth a thousand words, but in the investment business, a Christmas card tells a lot about the firm sending the holiday greeting.

"The cards these firms select, and their behavior in general, is a function of their attitudes, beliefs and previous relationships," said Napoleon C. Pozulp II, clinical psychologist with Associated Certified Psychologists, Chicago.

The use of color, for example, usually represents emotions, with different colors projecting different emotions. The colors used, and how they are used, could reveal how that institution deals with emotions, he said.

Mr. Pozulp was asked to analyze a random sampling of the Christmas cards received by the editorial staff of *Pensions & Investment Age*. Prior to the interview, Mr. Pozulp had no knowledge of any of the money management or consulting firms or the nature of their business.

Here are thumbnail sketches of the psychologist's analysis, preceded by descriptions of the cards:

• **Renaissance Investment Management Inc.**, Cincinnati, sent a white card with a black sketch of a large house being decorated for the holidays. The cover also includes small patches of red.

"It's interesting that this is essentially a colorless card, except for the red," said Mr. Pozulp. "It may point to the way they deal with emotions.

"There's certainly room for feelings and emotions, but they need to be put into compartments," he said, adding the card projects an acceptance of emotion, as long as it is kept in perspective so as not to interfere with the work at hand.

"I can't help but feel that someone wanted to project the impression that this is a firm that deals with tangibles."

• **D.L. Eager Associates**, Louisville, Ky., sent a card with a 1-inch green border around the cover. In the middle of the cover,

*Continued on page 49*

# 1 fund diversifies, 1 hedges

**By Steve Hemmerick**

LOS ANGELES — The Los Angeles County Employees' Retirement Association is on the verge of pumping $900 million into international equities, evenly split between and passive and active management, while the Los Angeles Fire & Police Pension System expects to hire three managers to hedge its $1.35 billion stock portfolio with options.

The county fund will give Chase Investors Management Corp., New York, $450 million for passive international management if an agreement on fees can be reached. That would be more than five times the $80 million Chase has under passive international management now.

County trustees also decided, subject to fee negotiation, to give an estimated $90 million each to five active international equity managers: Nomura Capital Management Inc., New York; Brown Brothers Harriman & Co., New York; Capital Guardian Trust Co., Los Angeles; Morgan Grenfell Investment Services Ltd., New York; and Warburg Investment Management International Ltd., New York.

The option writing firms to be hired by the fire and police fund are MCQ Inc., Torrance, Calif.; Balch, Hardy & Scheinman Inc., New York; and Oppenheimer Capital Corp., New York. All will write covered call options on individual stocks and stock indexes.

At the county fund, it appears Chase won out over State Street Bank & Trust Co., Boston, which has $2.5 billion under passive international management. They were the only two firms in the running.

Most of the county's trustees expressed disappointment in State Street's presentation, saying they didn't believe it was targeted for them and State Street didn't present its investment approach well.

In addition, trustees said State Street management fees were significantly higher than those of Chase, although they noted State Street might be open to negotiation.

Trustees at first considered splitting the county's passive allocation between State Street and Chase because of concern about the relatively small amount of in-

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# *2 pension execs retire, 2 others join sell side*

Two leading Southwest pension executives will end long careers with their respective firms in January through retirement.

Meanwhile, two other pension fund executives have made the switch to money management, working for insurance companies.

J.L. Neill, director-trusteed benefit funds at Manville Corp., Denver, will retire Jan. 1 after 36 years with the company. Martin Rodman, assistant controller-insurance at the Army & Air Force Exchange Service, Dallas, is scheduled to retire Jan. 23 after 30 years with AAFES.

Moving to the sell side are Robert Angelica, director of pension investments at the $27 billion American Telephone & Telegraph Co. master pension trust, and Gyanendra K. Joshi, who left Warner-Lambert Co., Morris Plains, N.J., as head of its $1 billion in employee benefit assets.

Mr. Angelica has become managing director of the pension asset management group at Prudential Affiliated Investors, Newark, N.J. Mr. Joshi will become managing director for equities of Connecticut Mutual Life Insurance Co.'s new Pratt, Goodwin and Phelps Inc. investment management subsidiary, Hartford.

Neither Mr. Neill nor Mr. Rodman has definite plans following retirement, although Mr. Neill said he probably will take a marketing position with an investment management firm to be formed in Denver in 1987.

Mr. Rodman said he is pondering possibilities and will continue teaching a class at Southern Methodist University, offered in conjunction with the International Foundation of Employee Benefit Plans and leading to the designation of certified employee benefit specialist.

*J.L. Neill, director of trusteed benefits, is retiring from Manville Corp. after 36 years with the Denver-based company.*

Looking back, Mr. Neill said the Manville fund had only one outside manager in 1967 when he started working with the fund. "Then, in 1973-'74 we got caught with the 'nifty 50' stocks and experienced severe losses in that

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## Highlights

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## The road ahead

THE ROAD FINANCIAL EXECUTIVES and professionals will travel in 1987 seems littered with many of the same opportunities — and a few of the problems — they first encountered in 1986.

In corporate finance, for example, the surge in mergers, acquisitions and corporate restructurings will continue, although a lull is expected at the beginning of the year.

In cash management, corporate executives will pay close attention to how General Motors Corp. implements its electronic funds and data transfer program, knowing they soon could be following GM's lead.

Pension executives will pump even more money into portfolio insurance, index funds and international investments in 1987, while more consciously matching liabilities with assets.

The 100th Congress, meanwhile, will be grappling with issues of keen interest to many financial leaders, including post-retirement health care, terminations and reversions and the Pension Benefit Guaranty Corp.'s deteriorating finances.

These and other important and thorny issues are explored in this Review & Outlook section, a team effort of the editorial staff of *Pensions & Investment Age*. This is just a sneak preview; the editors and reporters will provide up-to-the-minute coverage of these and other subjects as they develop.

# 1986's hot investments will still simmer in 1987

Portfolio insurance, index funds and international stocks and bonds — the hottest investments of 1986 — will continue to attract pension dollars next year, but not at the same feverish pace.

Use of other derivative strategies also will grow, while pension fund interest in real estate and venture capital will hold steady in 1987, interviews with corporate pension executives and investment professionals show.

Concern about pension fund volatility showing up on corporate bottom lines is making pension fund executives more conscious of matching fund liabilities with assets. Some predict this might cause pension funds to adopt a more conservative stance in their investment strategies, possibly at the risk of increasing long-term costs to the corporation.

"There seems to be a growing trend toward volatility management and a concern with the down side," said Don Gingery, director-investment management research, William M. Mercer-Meidinger Inc., Louisville, Ky.

Investment experts are not predicting any radical changes in investment strategies next year, but a period of reassessment now that pension funds have scored huge gains from recent bull markets.

However, 1986 might have been a watershed year in the development of passive investment vehicles, particularly in dynamic hedging and indexed funds.

Dynamic hedging grew to an astonishing $45 billion in assets covered by the defensive strategy from roughly $6 billion at the year's beginning.

Investments in various types of index funds also soared, to perhaps as much as $150 billion from nearly $80 billion at the end of 1985. The jump is still huge even after market appreciation is taken into consideration.

While unlikely to repeat this year's 650% increase in assets under management, portfolio insurance's popularity will continue to rise, predicted Eugene Brody, director of options management at Oppenheimer Capital Corp., New York.

"I think it will get a larger and larger share of the pension market," he said.

How much the share grows might depend on stock market performance. If the market rises or falls dramatically, interest in dynamic hedging likely will increase, said Gerald W. Bialka, assistant treasurer of Mead Corp., Dayton, Ohio. In a roaring bull market, pension officers will want to protect gains; in a bearish one, they will want to avoid the bottom.

A highly volatile market won't bode well for portfolio insurance, Mr. Bialka said. "To the extent that the market just trades within a range, the cost (of portfolio insurance) will look too high."

In a waffling market, dynamically hedged funds that sold futures when portfolio values declined will have to buy them back when values rise again, thus increasing costs.

Irene Leary, manager-employee benefit fund investments at Texas Instruments Inc., Dallas, said interest in dynamic hedging also might dissipate in a bull market that is based on corporate earnings growth and, therefore, perceived as a stronger rally than

*Continued on page 16*

# Economists see modest prospects for new year

NEW YORK — Leading Wall Street economists look for only modest growth in the economy next year, and most say there is a 25% to 33% chance of a recession.

Overall, they expect continued low inflation and low interest rates and modest improvements in the federal deficit and the trade deficit.

Economists from 12 companies were interviewed; their prognosis for the economy follows.

### Growth and recession

The economists surveyed expect slower gross national product growth in the first half of 1987 — a median of 1.8% — than in the second half — 3%.

Among the dissenters are Ken Safian, president of Safian Investment Research, and Deborah Johnson, senior economist at Prudential-Bache Securities.

Mr. Safian anticipates no growth in the first half, slipping to a decline of 2% in the second: "We're in a transition period in the economy, and I think recessions usually take place in transition periods."

He pointed to such potentially recessionary events as tax reform, the new Democratic-controlled Senate combined with President Reagan's difficulties, and attempts to get the trade deficit under control, which will mean reducing imports.

Ms. Johnson expects the GNP to decline at an annual rate of 2% in the first quarter and 1% in the second. She said, however, it will pick up to 2% in the third quarter and 2.7% in the fourth.

"There will be a weakening in every sector — weak consumer spending, no contribution from the business end . . . modest inventory building, if any," Ms. Johnson said. "We'll go from a slump to a muddle in the second half of the year.

"Recession means two down quarters and we'll have that in 1987. But in 1988, after the downturn, the economy will muddle along at somewhere below 3% growth."

John Paulus, managing director and chief economist for Morgan Stanley & Co. Inc., New York, looks for GNP growth of 0.8% in the first half and 2.9% in the second half. "We're in the pessimistic camp . . . because we see trade producing less of a stimulus in 1987," he said.

David Levine, chief economist at Sanford C. Bernstein & Co., New York, on the other hand, expects a boom in the first half of 1987, with GNP growth at a 7.5% annual rate, slipping to 5.3% in the second half.

The boom began in November, Mr. Levine said, and the first two quarters of 1987 will benefit from a fourth quarter 1986 in which demand increased, but inventories dwindled.

Others generally based their

*Continued on page 20*

## What the experts predict for 1987

| Economists | GNP[1] 1st half rate | GNP[1] 2nd half rate | T-bills 90-day by June | 30-year Treas. by June | Inflation by June | Chances of '87 recession | Fiscal '87 federal deficit ($ billions) | 1987 trade deficit[2] ($ billions) |
|---|---|---|---|---|---|---|---|---|
| Jason Benderly/ Robert Giordano Goldman, Sachs | 2.34% | 2.5/3% | 4.75% | 6.75% | 3-4% | 30% | 195 | 126 |
| Chuck Clough Cowen & Co. | 2.5 | 1.5 | 4.5 | 6.5-6.75 | 4 | 30 | na | na |
| Robert Dederick Northern Trust | 2.5 | 3.5 | 4.75 | 7.25 | 3.5 | 25-33 | 180-190 | 120 |
| Edward Yardeni/ Deborah Johnson Prudential-Bache | −2/−1 | 2/2.7 | 4 | 6 | 2 | 100 | 200 | na |
| David Levine Sanford C. Bernstein | 7.5 | 5.3 | 7.25 | 9.5 | 4.8 | 1 | 150 | 150-170 |
| Mickey Levy Fidelity Bank | 2 | 3 | 5 | 7 | 4 | 10 | 190 | 120 |
| John Paulus Morgan Stanley | 0.8 | 2.9 | 4.5-4.75 | 6.5 | 3 | 25 | 180 | 150 |
| Georges Rocourt Mercantile Safe Deposit | 1.5 | 2.5 | 4.75 | 6.8 | 3.75 | 33 | 185 | 105 |
| Ken Safian Safian Investment Research | 0 | −2 | 5.35 | 7 | 3.5 | 50 | 180-200 | 145 |
| Frank Schott Equitable Life | 2.1 | 2.8 | 5 | 6.9 | 3.5 | 25 | 200 | 120 |
| Albert Sommers Conference Board | 1.7 | 3.1 | 5.2 | na | 3.1 | 0 | 185 | 120 |
| Donald Straszheim Merrill Lynch | 1.2/1.8 | 2.5/3.5 | 4.5 | 6.8 | 3.1 | 25 | 193 | 134 |

[1] Double entries reflect quarterly breakout
[2] Assumes $150 billion 1986 deficit

# Economists . . .

*Continued from page 3*

more moderate predictions on weak capital spending, modest consumer spending and a falloff in residential investment.

Chuck Clough, director of investment policy for Cowen & Co., New York, said capital spending is flat now and will fall in the short term, meaning there will be no demand to push up durables.

The three durables — cars, houses and business capital — are weak enough to "keep the economy in its current funk," he said.

Donald H. Straszheim, president and chief economist at Merrill Lynch Economics Inc., New York, said, "Consumer spending will be slow in the aftermath of tax bill and auto incentives of late 1986. Nonresidential investment spending will be weak because there is a lot of excess capacity that will take years to work off . . . We see inventory accumulation as being modest, though a bit stronger in 1987 than in 1986. Housing will be weaker in the first part of 1987 than late 1986, gradually improving in the second half, but not at the boom levels of 1986."

Frank Schott, chief economist at the Equitable Life Assurance Society of the United States, New York, believes the consumer is the wild card in a year in which he predicts modest economic growth and a 25% chance of a recession if the consumer "goes into the tank." He noted consumer confidence has been eroding.

Georges Rocourt, chief economist at Mercantile Safe Deposit and Trust Co., Baltimore, sees only modest growth in the GNP, but said that might be a plus, because slow growth could accomplish much of what a recession accomplishes and, hence, make a recession unnecessary.

All but Mr. Levine believe there is some chance of a recession next year, with most putting it in the 25% to 33% range. But Mickey Levy, senior vice president and chief economist at the Fidelity Bank in Philadelphia, put the chance of a recession at less than 10%, and Bernstein's Mr. Levine, 1%.

"A lot of people think we're headed for negative growth; they're wrong," Mr. Levine said.

Mr. Clough of Cowen & Co. believes a recession is on the horizon — in late 1987 at the earliest — because business spending is "not going anywhere." The government is in a period of "fiscal retrenchment," and personal spending will rise at a slower pace than in 1986.

Mr. Paulus said there's a 25% chance of a recession occurring in 1987. "The reason for not expecting a recession is that the one thing that has been responsible for producing post-World War II recessions is inflation reaching unacceptably high levels . . . and that's not going to happen," he said.

### Interest rates and inflation

The economists expected 90-day Treasury bill rates to fall to about 4.75% by midyear from about 5.5% when they were interviewed, and long-term rates to drop to about 7% from about 7.7%.

Again Mr. Levine was the contrarian, projecting short-term rates of 7.25% by midyear and long-term rates of 9.5%.

None of the economists is expecting a major outbreak of inflation, although Mr. Levine puts it at 4.8% by midyear. Most of the others put it in the 3.5% to 4% range, with Pru-Bache's Ms. Johnson projecting only a 2% rate.

Goldman, Sachs is using an inflation rate of 3% to 4% for 1987. "We are just about to start seeing that," said Jason Benderly, vice president and co-director of economics research at Goldman, Sachs & Co., New York. "The (Consumer Price Index) is about to start running in that range."

Robert Giordono, partner and co-director of economic research at Goldman, expects to see Treasury bills at 4.75% by June.

"We think interest rates will fall because of a declining budget deficit, the financial dynamics of slow economic growth and a significant reduction in the corporate sector's borrowing requirements," he said. "Federal Reserve policy will become more accommodative mainly because it hasn't been very stimulative despite rapid money supply growth."

### Deficit dimensions

The economists see tax reform as helping to ease the federal deficit, with the median deficit prediction being $190 billion. Mr. Levine again was a loner, expecting a $70 billion slash in the budget deficit, to $150 billion. None of those surveyed expects a deficit of more than $200 billion.

Merrill Lynch expects the improvement in the budget deficit to be "very slow and labored," Mr. Straszheim said, falling to $193 billion in fiscal 1987 from $220.7 billion in fiscal 1986, far off the mark of the Gramm-Rudman-Hollings target of $144 billion.

Mr. Paulus based his more optimistic prediction of $180 billion on tax reform, deep cuts in defense spending and reduced grants to local governments.

Mr. Clough also is among those seeing some hope for the budget deficit. "People will be surprised at how much it will go down," he said, without offering just how much it might be reduced.

Albert Sommers, senior fellow and former chief economist of The Conference Board, a leading nonprofit business research group in New York, looks for a $35 billion reduction in the federal budget deficit in fiscal 1987 from fiscal 1986, and a $30 billion cut in the trade deficit for the year.

"They work in opposite directions so that if the declines in the budget and trade deficits are comparable, the net effect is not significant. They offset each other," he said.

Several of the economists were buoyed by the trade deficit's prospects, expecting a median of $120 billion, an improvement of about $30 billion.

The outsiders here were Mr. Levine, predicting a trade deficit of $150 billion to $170 billion, and Mr. Rocourt, predicting $105 billion.

Mr. Straszheim said the gradual improvement on the trade side is the most important indicator.

"The worst is over for trade. There will be a gradual, but steady and distinct, improvement in the trade account over the course of 1987 and into 1988," he said.

"Net exports have been hurting the economy during the entire decade of the '80s. That's over. They will begin helping now."

The trade deficit also was a bright spot for Goldman, Sachs, which expects it to drop $24 billion.

"What's causing the modest rebound is not tax reform but the improved trade deficit and the growth of disposable income," Mr. Benderly said.

Pru-Bache's Ms. Johnson agrees the picture is a bit rosier for the trade deficit, which she says will narrow some because of an increase in consumer spending.

Mr. Paulus, however, doesn't see the nominal trade deficit narrowing in 1987 even though in real terms it will narrow slightly.

And Mr. Clough was not very hopeful about reducing the figure: "Even if the dollar went to zero yen, we wouldn't make VCRs here." ■

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# 14.1% of managers use passive bond approach

About 14.1%, or 78, of 552 investment managers surveyed by *Pensions & Investment Age* list passive fixed-income approaches as part of their investment strategies.

Passive approaches to fixed-income management include bond index funds, cash-matched dedicated portfolios and immunized portfolios.

Bond index funds attempt to match the return of an appropriate index by structuring the portfolio to resemble the index. No attempt is made to outperform the index.

A cash-matched dedicated portfolio is structured so the cash flows from maturing bonds and coupon payments closely match a stream of liabilities. This approach avoids interest-rate risk.

An immunized portfolio also is structured to avoid interest-rate risk; this is achieved by constantly adjusting the duration of the portfolio to the duration of the liabilities. The duration is the time it takes to recapture half of the present value of the cash flows of the portfolio.

Fifteen of these managers have more than $1 billion under management.

What follows is a list of those managers. Information was compiled from questionnaires submitted by the managers for *P&I Age*'s May 19 special issue on the nation's leading investment advisers.

**Managers using passive approach to fixed-income***

| | |
|---|---|
| Addison Capital Mgmt. | 10 |
| American Natl. Bank, Chicago | 8,160 |
| Astrop Advisory | 150 |
| BA Investment Mgmt. | 4,342 |
| William Blair & Co. | 615 |
| Chase Investors Mgmt. | 15,000 |
| Churchill Mgmt. | 75 |
| Connors Investor Services | 51 |
| Continental Ill. Natl. Bank | 1,807 |
| Dana Investment Advisors | 125 |
| John Stewart Darrell & Co. | 12 |
| Davenport Asset Mgmt. | 32 |
| Delafield Asset Mgmt. | 421 |
| Dixon & Hubard | 20 |
| FMI Capital Mgmt. | 32 |
| Ferris Investment Advisory | 65 |
| First City Natl. Bank, Houston | 606 |
| First Commercial Bank | 820 |
| First Interstate Bank, Oregon | 823 |
| First Natl. Bank, Omaha | 300 |
| First Wisconsin Trust | 1,645 |
| Fraser Mgmt. Associates | 20 |
| Frontier Capital Mgmt. | 716 |
| Furgueson Capital Mgmt. | 11 |
| Gradison & Co. | 60 |
| R.W. Graybill | 26 |
| JCB Asset Mgmt. | 72 |
| Kangyo Kakumaru Capital Mgmt. | 0 |
| Kanne, Paris & Hoban | 54 |
| Kempner Capital Mgmt. | 185 |
| Kirkpatrick, Pettis, Smith, Polian | 136 |
| W.R. Lazard & Co. | 20 |
| Lehman Mgmt. | 9,459 |
| Marine Trust Co. | 700 |
| Marsh & Cunningham | 36 |
| McBryan, Malone & Russell | 72 |
| Mellon Capital Mgmt. | 8,925 |
| Merchants Natl. Bank | 60 |
| Merchants Natl. Bank, Muncie | 126 |
| Meridian Capital Mgmt. | 20 |
| National Bank of Washington | 837 |
| National Invest. Serv. of America | 4,060 |
| Nelson, Benson & Zellmer | 214 |
| North American Capital Mgmt. | 2 |
| Northern Trust | 7,571 |
| Pacific Asset Mgmt. | 101 |
| Parker Dillon Carlson & Johnson | 14 |
| Pittsburgh Natl. Bank | 2,927 |
| Portfolio Capital Mgmt. | 76 |
| Potomac Asset Mgmt. | 235 |
| Puget Sound Natl. Bank | 12 |
| RAC Advisors | 5 |
| Renaissance Investment Mgmt. | 420 |
| Schupf, Woltman & Co. | 150 |
| Seattle Trust | 108 |
| Security Natl. of Sioux City | 60 |
| Gregory Smith & Sons | 300 |
| Smith Breeden Associates | 0 |
| Southeastern Asset Mgmt. | 464 |
| F.A. Spina & Co. | 7 |
| State Street Bank | 12,252 |
| Stephens Capital Mgmt. | 144 |
| Sun Bank | 600 |
| Systematic Financial Mgmt. | 33 |
| Technological Investors Mgmt. | 20 |
| Tel Advisors | 1 |
| Townsend Asset Mgmt. | 4 |
| Trust Co. of the West | 8,903 |
| Union National Trust | 60 |
| United Trust Fund | 0 |
| Vanguard Group | 3,892 |
| Venture Capital Fund of New England | 27 |
| Wagner & Hamil | 1 |
| Ward & Wissner Capital Mgmt. | 342 |
| David E. Ware & Associates | 7 |
| Waycross Investment Mgmt. | 15 |
| Wells Fargo Investment Advisors | 29,520 |
| Wilshire Associates | 2,050 |

**Figures refer to total tax-exempt assets under management, $ millions.*

## *Atlanta 1st pick as business site*

Atlanta is considered the best place to locate a business, but New York is where the most new office space will be acquired in the next year, according to a survey of chief executive officers and corporate real estate officers.

The survey, made by Louis Harris and Associates on behalf of the Cushman & Wakefield real estate company, both in New York, posed questions about the nation's 12 largest commercial real estate markets. Surveyed were 400 chief executive officers and 201 senior corporate real estate officers at companies nationwide with revenue of at least $100 million.

Louis Harris, chairman of the research firm, said the survey, "The Cushman & Wakefield Business America Real Estate Monitor," was created "to tap the thinking of business executives." Rating criteria included quality of life for employees, cost and availability of labor, local and state government climate and proximity to markets and raw materials.

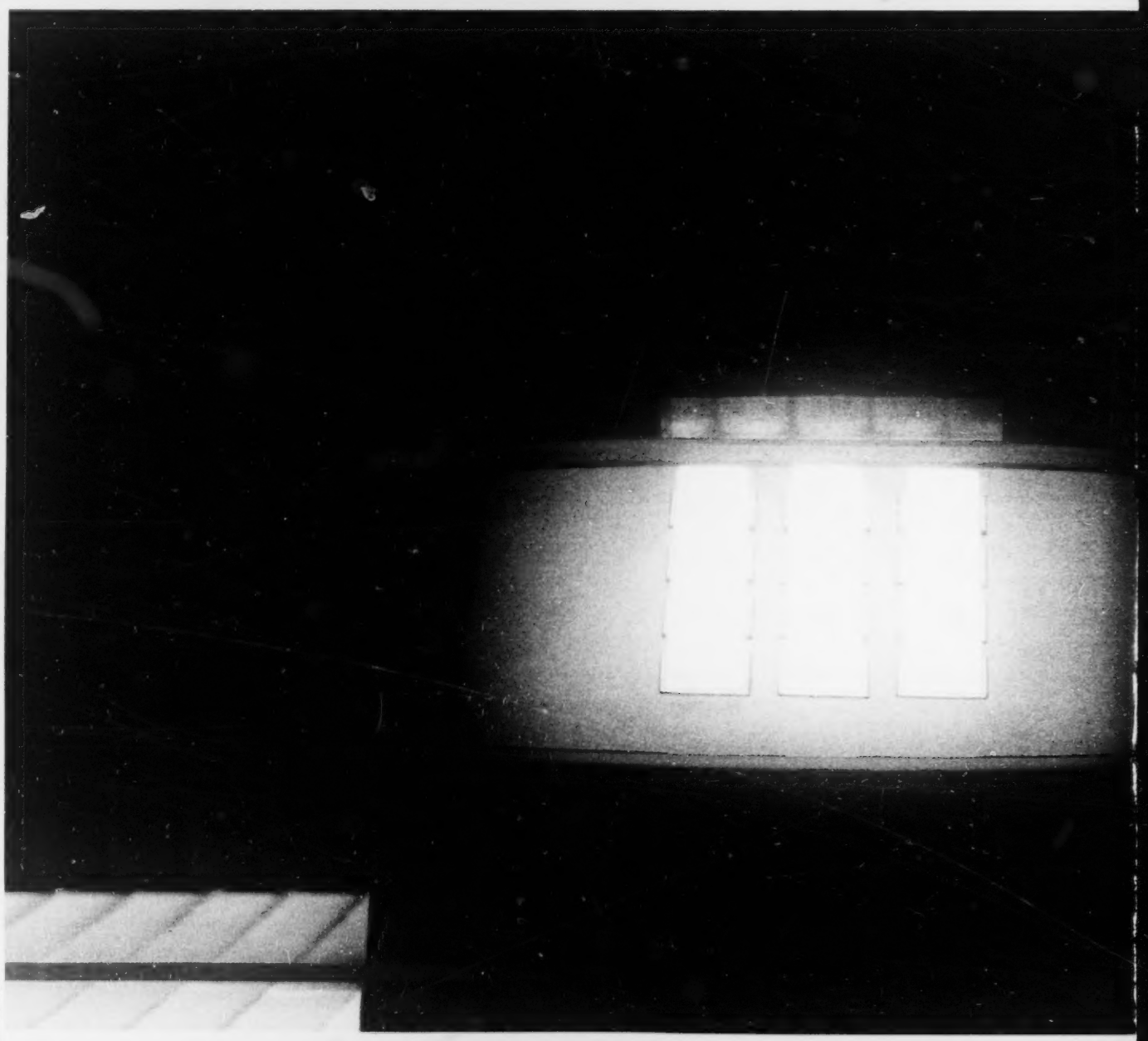
In rating the best places to locate a business today, the chief executive officers chose markets in the following order: Atlanta; Boston; San Francisco; Los Angeles; Seattle; Washington, D.C.; New York; Dallas; St. Louis; Miami; and Houston.

The real estate executives differed only slightly in their preferences, listing, in order: Atlanta; Boston; Los Angeles/Chicago (tied); San Francisco; New York; Seattle; Dallas; Washington; St. Louis; Houston; and Miami.

Other major findings include:

- The Los Angeles area is the most preferred place for real estate executives who plan to acquire new manufacturing, warehouse and distribution facilities in the next year.
- Chicago ranked first for proximity to markets and proximity to raw materials, but overall was ranked in the middle among all the market areas.
- Dallas and Houston ranked low for their current conditions, but respondents believe economies there have bottomed out and will improve within 12 months.
- Boston was ranked second to Atlanta as the preferred location as it scored high in quality of life, and proximity to markets, customers and clients.
- New York City scored well because of its proximity to markets, but was ranked low for its quality of life and the business climate provided by government.
- Atlanta, in addition to being rated the best location today, is also considered the area where business conditions will improve the most in the next 12 months. ■

BellSouth



# Fed addresses ACH fraud

DALLAS — The Federal Reserve System is serious in its plans to address concerns of possible fraud in the Automated Clearing House network.

Increasing concern by users of the ACH about possible credit and fraud risks associated with using the system has prompted the Fed to take a closer look at the problem, said Florence Young, adviser to the Division of Bank Operations at the Board of Governors of the Federal Reserve System.

Some large companies or those with high-dollar transactions have questioned the security and control features of the ACH system in protecting corporate users from fraud by preventing unauthorized entry to the system and possible alteration of figures or transactions.

The Fed has issued for public comment several proposals that would limit risk in the ACH system.

Among the measures proposed by the Fed are for receiving banks to encourage automated deposits and delivery of ACH transactions. "This in itself prevents much of the potential for fraud," Ms. Young said, addressing a Dallas cash management seminar.

Another step under consideration is the encoding of all data communications links between depository institutions and the Fed.

She said the Fed also is "checking the feasibility" of some sort of authentication process to be applied to all data transmissions between the various links in the ACH system.

The Fed proposes to limit the risk in the ACH system through modification of the current after-the-fact monitoring system as well as expanding the real-time monitoring procedures and expanding the self-assessment procedures for depository institutions.

The comment period for the proposals will end in mid-March.

Ms. Young said final policies are expected to be approved by the end of 1987.

The authentication process is being tested by "a couple" of financial institutions in the Cleveland Federal Reserve District, said Ms. Young. ■

**The Payden & Rygel index of short maturity assets, which usually appears in the cash management section, has been moved for this issue. It will be in its usual spot in subsequent issues.**

## Payden & Rygel index of short maturity assets*

**(for month ended Nov. 30)**

| | November 1986 | Quarter ended 9/30/86 | Year to date | 12 months ended 11/30/86 | Yield level monthly change[a] |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4070 | 1.5980 | 6.1983 | 6.8940 | 19 |
| Domestic CD | 0.4410 | 1.6906 | 6.7020 | 7.4469 | 17 |
| Euro $ CD | 0.4581 | 1.7142 | 6.7973 | 7.5591 | 15 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.3920 | 1.7326 | 6.7977 | 7.5838 | 14 |
| Domestic CD | 0.3977 | 1.8104 | 7.0861 | 7.8636 | 16 |
| Euro $ CD | 0.4103 | 1.8432 | 7.1919 | 7.9868 | 15 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.4445 | 2.0564 | 7.8995 | 8.8534 | 03 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.6036 | 2.4026 | 9.9131 | 11.6235 | 05 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.

[a]Basis points.

Source: Payden & Rygel, Los Angeles

# Money movers

*Continued from page 41*

lected because they were both in the top 5% of consultant SEI Funds Evaluation Services' universe and because they were willing to negotiate fees.

The city pension system first hired the State of Wisconsin Investment Fund earlier this year, Mr. Bottoni said, because the state agency has very low fees that are netted directly from the system's money.

In a separate development, the system has received its preliminary reports from Becker Burke Associates, Chicago, on its South Africa divestiture study.

The consultant's final report was presented to the City Council in recent weeks, Mr. Bottoni said, and the recommendations will be made by the end of the year.

### *Sunkist Growers Inc.*

SHERMAN OAKS, Calif. — The $125 million Sunkist Growers Inc. pension fund adopted dynamic hedging for about $115 million of its assets, said David Newsom, manager-financial analysis and investments.

The hedging, also called portfolio insurance, will be applied to all investments except real estate, which amounts to about $10 million, Mr. Newsom said.

Dynamic hedging seeks to assure a minimum rate of return, while allowing capture of most upside gains, through use of the futures markets.

Sunkist hired Morgan Stanley Asset Management, New York, to provide the hedging.

Collins Associates, Newport Beach, Calif., was consultant in the manager search.

Mr. Newsom said fund officials became interested in dynamic hedging as a means to protect the surplus, about $20 million, of the pension fund, and to allow for an increase in equity exposure to 75% from 65%.

A search is on for additional equity managers.

The fund chose Morgan Stanley for its team approach to hedging, using both futures and options investment professionals and actuaries, Mr. Newsom added.

### *West Hartford Town*

WEST HARTFORD, Conn. — The West Hartford Town Pension Fund has hired Delaware Investment Advisers, Philadelphia, to manage its $50 million equity portfolio.

Previously, Fiduciary Trust Co. of New York was the fund's balanced manager and managed all of its almost $90 million portfolio.

Fiduciary will continue to manage the fixed-income portfolio for the fund, according to Peter Krzyzek, administrator.

Mr. Krzyzek said the pension board believed the fund "could have better equity performance if we got an equity manager.

"We're just breaking off the equity portion."

Delaware bases its equity approach on low price-earnings, sector rotation and income.

Mr. Krzyzek said value-oriented Delaware's "strong performance history" was a factor in the decision to hire the firm.

He said the $50 million Delaware will manage represents the entire equity portion of the fund's portfolio under Fiduciary's management. No additional funds were added.

The asset mix isn't expected to change. The equity portion of the fund's portfolio is about 60%.

The rest is in bonds and cash equivalents.

### *CBS Inc.*

NEW YORK — The $600 million CBS Inc. pension fund has hired Bankers Trust — Investment Management Group, New York, to run an immunized bond portfolio of undisclosed size, said Richard Meckler, director of pension investments.

The assets came from a "buy-and-hold" account.

In addition, CBS has begun in-house management of a short-term portfolio, he said.

The listing of new issues of corporate securities, which usually appears in the corporate finance section of *Pensions & Investment Age*, has been moved for this issue. It will return to its usual spot in subsequent issues.

## New issues of corporate securities

**Nov. 24 — Dec. 5, 1986**

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 12/5 | Bond Brewing Holdings | 510.00 | Sub. Ex. Deb. | 98.93% | 4.000 | OTC | Drexel Burnham Lambert |
| 11/25 | CMO Trust 15 | 500.00 | FHLMC CMO | 99.75% | .627 | OTC | Salomon |
| 12/5 | FBC Mortgage Securities Trust VIII | 312.50 | FNMA CMO | 99.63% | .502 | OTC | First Boston |
| 12/5 | Great Western Savings | 300.00 | Flt. Notes | 100.00% | .500 | LUX | Salomon/First Boston |
| 12/4 | New Zealand | 300.00 | Notes | 100.00% | .900 | OTC | FBC/GS/KP/MLCM/MS/SAL* |
| 12/4 | FBC Mortgage Securities Trust VII | 300.00 | Col. Bonds | 99.97% | .500 | OTC | First Boston |
| 11/25 | Province of Quebec | 300.00 | Debs. | 99.60% | .879 | OTC | First Boston/Merrill Lynch/Kidder Peabody/Dominion Securities |
| 11/25 | The Chase Manhattan Corp. | 250.00 | Notes | Market | Market | OTC | Merrill Lynch |
| 11/25 | American Express Credit Corp. | 250.00 | Sr. Notes | 99.40% | .654 | OTC | Shearson Lehman/First Boston/Goldman, Sachs/Merrill Lynch/Salomon |
| 12/3 | FBC Mortgage Securities Trust VII | 240.00 | Col. Bonds | 99.94% | .500 | OTC | First Boston |
| **Common Stock** | | | | | | | |
| 11/26 | Aristech Chemical Corp. | 319.50 | | $17.75 | 5.75 | IPO (NY) | Shearson Lehman/Goldman, Sachs |
| 12/4 | Centerior Energy Corp. | 92.50 | | $23.13 | 2.72 | NY/MW/PC | Morgan Stanley/McDonald/Merrill Lynch/Pru-Bache/Shearson Lehman |
| 11/24 | Sun Microsystems | 80.40 | | $19.38 | 4.28 | OTC | Alex. Brown/Robertson, Colman & Stephens |
| 12/4 | Peoples Heritage Savings Bank | 77.80 | | $15.50 | 5.94 | IPO | PaineWebber/Alex. Brown/E.F. Hutton |
| 11/26 | Empire of America Federal Savings | 52.00 | | $5.63 | 6.93 | IPO (AM) | Kidder Peabody |
| 12/4 | Boston Celtics Limited Partnership | 48.10 | | $18.50 | 6.97 | IPO (NY) | Smith Barney, Harris Upham |
| 11/26 | Wilmington Savings Fund Society | 33.30 | | $10.38 | 6.94 | IPO | Shearson Lehman/Alex. Brown |
| 11/26 | Caroloo Pictures | 32.40 | | $9.00 | 6.67 | IPO (NY) | PaineWebber/Drexel Burnham Lambert/Bear, Stearns/Furman Selz |
| 11/25 | Dixie Yarns | 32.40 | | $18.00 | 6.50 | IPO | Lazard Freres |
| 12/2 | Service Corp. International | 27.60 | | $33.75 | 2.96 | NY | Shearson Lehman |

*Source: Securities Data Co., New York*

*FHLMC CMO: FHLMC-backed collateralized mortgage obligation*
*FNMA CMO: FNMA-backed collateralized mortgage obligation*
*Col. Bonds: Collateral bonds*
*Sub. Ex. Deb.: Subordinated extendible debentures*
*Flt. Notes: Floating-rate notes*
**First Boston/Goldman, Sachs/Kidder Peabody/Merrill Lynch/Morgan Stanley/Salomon*

*PC: Pacific Stock Exchange*
*NY: New York Stock Exchange*
*OTC: Over the Counter*
*IPO: Initial Public Offering*
*AM: American Stock Exchange*
*MW: Midwest Stock Exchange*
*LUX: Luxembourg Stock Exchange*

# Market timing used

About 14.1%, or 94, of 663 investment managers surveyed by *Pensions & Investment Age* list market timing as part of their investment approach.

Equity managers using this approach decide when to buy stocks in the light of economic factors such as the strength of the economy and the direction of interest rates, or technical indications such as the directions of stock prices and the volume of trading.

Twelve of these managers have more than $1 billion under management.

What follows is a list of managers using market timing.

Information was compiled from questionnaires submitted by the managers for *P&I Age*'s May 19 special issue on the nation's leading investment advisers.

**Managers using market timing approach***

| | |
|---|---|
| AFC Advisory Services | 6 |
| Agepasa | 0 |
| Allocation Advisors | 11 |
| Argus Investment Mgmt. | 64 |
| Ariston Capital Mgmt. | 16 |
| Avatar Associates | 472 |
| BBL Capital Mgmt. | 436 |
| Bank of Tokyo Trust | 56 |
| Bernstein-Macaulay | 2,140 |
| Boatmen's First Natl. of Kansas City | 920 |
| Bostian Research Associates | 8 |
| G. Waring Boys Co. | 50 |
| C.H. Brown | 45 |
| Buffalo Capital | 7 |
| Capital Supervisors | 4,828 |
| Chase Investors Mgmt. | 15,000 |
| Churchill Mgmt. | 75 |
| Commerce Bank of Kansas City | 289 |
| Commerce Bank of St. Louis | 260 |
| Commodity Mgmt. Service | 0 |
| Computime Institutional Services | 3 |
| Dana Investment Advisors | 125 |
| Davis, Weaver & Mendel | 25 |
| Delafield, Harvey, Tabell | 88 |
| Farmer & Lang | 71 |
| Fiduciary & Corporate Counsel | 7 |
| Fields Investment Group | 40 |
| First Asset Mgmt. | 1,581 |
| First City Bank of Dallas | 50 |
| First Commercial Bank | 820 |
| First Interstate Investment Advisers | 191 |
| First Natl. of Cincinnati | 383 |
| Ganz Associates | 20 |
| Gardner and Preston Moss | 2,885 |
| Kenneth J. Gerbino & Co. | 9 |
| Greenwich Monitrend | 60 |
| Hahn Holland & Grossman | 226 |
| Heartland Capital Mgmt. | 128 |
| Hibernia National Bank | 2,593 |
| T.J. Holt & Co. | 17 |
| Hutchinson Natl. Bank & Trust | 55 |
| Institutional Capital | 893 |
| Institutional Portfolio Services | 50 |
| Investment and Capital Mgmt. | 941 |
| Investors Mgmt. Services | 79 |
| Investors Research | 101 |
| Tom Johnson Investment Mgmt. | 512 |
| KAS Investment Consultants | 6 |
| William J. Kautz Associates | 40 |
| Kreger Capital Mgmt. | 3 |
| R.M. Leary & Co. | 17 |
| Leonard Mgmt. | 2 |
| Lesesne & Co. | 45 |
| Liberty Natl. Bank & Trust | 894 |
| Maritime Asset Mgmt. | 58 |
| MassCo Investment Mgmt. | 161 |
| McGlinn Capital Mgmt. | 1,142 |
| Paul A. Merriman & Associates | 11 |
| Morgan Grenfell Investment | 2,075 |
| New Japan Capital Mgmt. | 0 |
| Newhard, Cook Advisory Services | 7 |
| Nicholson Group | 0 |
| North American Capital Mgmt. | 2 |
| PCM International | 422 |
| PM Portfolio Mgmt. | 79 |
| PSM Investors | 20 |
| Perkins Capital Mgmt. | 15 |
| Pittsburgh National Bank | 2,927 |
| Portfolio Timing | 6 |
| Reimer & Koger | 766 |
| Renaissance Investment Mgmt. | 420 |
| Ronald Sadoff Associates | 35 |
| Santaularia & Associates | 7 |
| Seattle Trust | 108 |
| Security Funding | 15 |
| Simpson Capital Mgmt. | 7 |
| Sirach/Flinn, Elvins Capital Mgmt. | 414 |
| Stein Roe & Farnham | 4,600 |
| Sterling Capital Mgmt. | 587 |
| Stratton Capital Mgmt. | 1 |
| Stuyvesant Capital Mgmt. | 102 |
| TSA Capital Mgmt. | 605 |
| Tel Advisors | 1 |
| Trendstat Capital Mgmt. | 17 |
| Trust Co. of the West | 8,903 |
| Tuttle & Noroian | 180 |
| United States Trust | 305 |
| Unity Mgmt. | 390 |
| Vanguard Group | 3,892 |
| Waddell & Reed Asset Mgmt. | 859 |
| Wakley & Roberton | 66 |
| Warburg Investment Mgmt. | 280 |
| Wardley Marine International | 76 |
| Wolf, Webb, Burk & Campbell | 350 |

**Figures refer to total tax-exempt assets under management, $ millions.*

*Pensions & Investment Age*'s annual survey and profiles of the nation's 1,000 largest employee benefit plans will be published in the Jan. 26 issue.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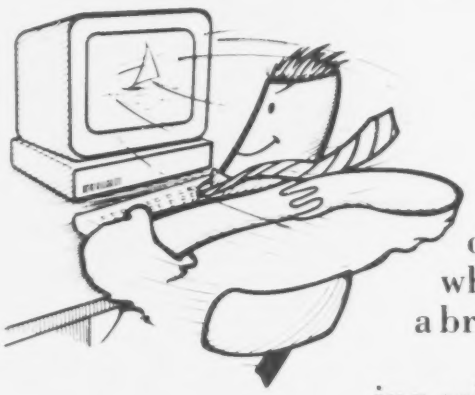

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# Pensions & Investment Age



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## Inside:

CLIMB EVERY MOUNTAIN: Marci Avrin, a pension fund consultant, and Greta Marshall, investment manager of the California employees' fund, were part of a group that recently took a trek through the Himalayas — page 2

REAL ESTATE: Benjamin Lambert, chairman of Eastdil Realty, says pension fund executives considering real estate investing should take an "amber light approach," not a green light one because of market uncertainties— page 23.

Photo by Arnie Adler

# Stock indexing slows to a trickle in late '86

By Trudy Ring and Brian Lehrer

Stock index fund growth stopped abruptly and dramatically in the latter part of 1986, fueling speculation that the popularity of stock indexing has peaked, and that specialized index products may be necessary to attract clients.

Bond index funds continued growing, albeit at a slower rate than in the first half of the year, and managers looked for further gains in the bond and international index areas.

Stock index funds grew just 0.85%, to $102.3 billion, in the five months ended Nov. 30. Adjusting for market appreciation, indexed equity assets remained flat, as the benchmark Standard & Poor's 500 stock index gained 0.79% in that period.

Ralph Webster, vice president of Mercantile Trust Co., St. Louis, said indexing has run out of players. "Most of the money that is going to be indexed has been indexed now," he said.

In the six months ended June 30 — the previous period for which *Pensions & Investment Age* surveyed index fund managers — stock index funds had gross growth of 51.9%. The S&P 500 was up 20.84% in that period, making the net growth about 31%.

Bond index funds grew 54.7%, to $30.3 billion, in the five months ended Nov. 30. The market gain in that period, as measured by the Shearson Lehman Government/ Corporate bond index, was 4.76%, making the net gain about 50%.

In the six months ended June 30, bond index funds had a gross gain of 66% and a net gain of about 56%, as the Shearson Lehman index gained 9.94% in that period.

International index funds, almost exclusively in equities, were not accounted for separately in the previous survey. As of Nov. 30, $3.2 billion was invested in international index funds. Because the international funds were not measured separately previously, it is impossible to see how much they gained. The Morgan Stanley Capital International Europe Australia Far East index was up 14.04% in that period.

Overall, without adjusting for market appreciation, indexed assets grew 22.1%, to $152.6 billion, in the five months ended Nov. 30. In the six months ended June 30, they had grown 59%. Indexed assets not accounted for as equity, bond or international are in various futures or asset allocation strategies.

"There could indeed be a tapering off of the pure plain vanilla-type index funds," said Tom Stevens, chief investment officer of Wilshire Associates' asset management operation, Santa Monica, Calif. But traditional index funds likely will be replaced with customized ones, he said.

Indexing exploded in the past couple of years, as the majority of


*Continued on page 34*


# Drexel's record year eases scandal's pain

By Marci Baker

NEW YORK — Drexel Burnham Lambert Inc. raised $6.8 billion for clients in public and private markets in the final six weeks of 1986, brushing aside any uncertainty caused by the Ivan Boesky insider trading scandal.

The surge in financings, which accounted for 15% of Drexel's volume for the year, came as rivals on Wall Street and others questioned whether the firm would be able to finance the deals to which it had committed.

And it capped what was for Drexel the best of years and the worst of years.

At the same time Drexel senior executives fought to dispel fears that its close ties with Mr. Boesky had drawn the firm and its junk bond business deeply into the Securities and Exchange Commission's probe, they were racking up a record year for revenue and profits.

Although junk bonds continued as a key contributor to the bottom line, the firm gained force in other businesses, ones that developed outside the glare of controversy and that also turned in exceptional performances.

Indeed, every one of Drexel's 22 businesses ended the year in the black, its executives claim — an unusual feat for any Wall Street firm.

"It's amazing," said Frederick Joseph, chief executive officer, clearly tickled. "Most of the time, you have some businesses that aren't performing — a technicality, bad management or sometimes a trading mistake. But the surprise this past year was that we seemed to be hitting on all cylinders, which is extraordinary."

Photo by Al Stephenson

*Frederick Joseph claims Drexel "seemed to be hitting on all cylinders" last year.*

Total revenue for the year climbed to an estimated $4 billion from the record $2.25 billion


*Continued on page 36*


# *Navistar contributes stock*

By Barry B. Burr

CHICAGO — Navistar International Corp. was the only company to make a non-cash contribution to its defined benefit plan in 1986, according to a survey of the 200 largest pension plans by *Pensions & Investment Age*.

Robert C. Lannert, vice president and treasurer, said Navistar elected to contribute $104.5 million worth — or 22 million shares — of its common stock in December, even though it was able to contribute cash.

The contributed stock represents the second non-cash contribution Navistar has made to its pension plan in the past 12 months. In December 1985, the company contributed $25 million worth of bonds, which since have been sold.

The stock contribution piggybacked a public offering of an additional 104 million shares by the company Dec. 29. The contributed stock was priced at the same $4.75 a share for which the offering sold in the market.

The company turned the stock over to two of its pension investment managers to run without restrictions.

Jennison Associates Capital Corp. and J.P. Morgan Investment Management Corp., both of New York, still held the stock as of Jan. 5, according to Mr. Lannert. The stock closed that day at 5¼.


*Continued on page 36*

*Judy Mares, left, Greta Marshall, second from left, and Marci Avrin, second from right, stand with two of their companions on an expedition through Nepal's mountains, including the peak shown below. The three made it through the trip without discussing their jobs.*

# Mountain trek gives trio a new outlook

**By Marcia Parker**

Judy Mares recalls the times when "the sky looked like someone had thrown glitter into it. There's no light."

Greta Marshall brought home "a fresh perspective on life."

Marci Avrin wants to holds on to the feeling of being humbled by the earth's overwhelming natural beauty and the insignificance of humanity. "You really realize that we all take ourselves too seriously," she said.

Ms. Mares, assistant treasurer of General Mills Corp., Minneapolis, and Ms. Marshall, investment manager for the California Public Employees' Retirement System, Sacramento, are back at work after a 10-day hiking trek in Nepal's Himalaya Mountains.

Ms. Avrin, a pension fund consultant in San Francisco, is in transition; she spent more than two months racking up other high adventures in the Far East after her colleagues departed for home.

"I have a confession to make," said Ms. Mares. "We never once — with the exception of a couple momentary slips — talked about our jobs. That was the ground rule."

That wasn't easy for Ms. Mares, who had just been promoted to assistant treasurer at General Mills after a long career with the company on the pension fund side of the business.

Ms. Marshall also carried some guilt along with her mountain-climbing gear. "I committed myself way in advance, way before I knew how much (work) there would be to do," she said.

For Ms. Avrin, it was a dream come true — one she'd planned in advance with the idea she'd be away for a long, long time.

"I'd been wanting to do this for years," said Ms. Avrin, who masterminded the trip, persuading her colleagues to join her.

Although all three women run and are physically fit, none is a hiker or mountain climber.

"I just had to break in my hiking boots. At work the week before I shucked my high heels at lunch everyday and went for a walk in my hiking boots," Ms. Mares recalled.

They traveled in lush green valleys at 9,000 feet, past winding rivers and over suspension bridges to barren plateaus at 14,000 feet.

They saw Sherpa villages, home to the Tibetan Buddhists, magnificent views of Mount Everest and the revered Thyang Boche Monastery on top of a hill.

"Basically you sleep, eat and walk. The mountains and scenery are incredible and beautiful," Ms. Marshall said. "There were days when I wondered how I could have thought this was a vacation — one I was paying for."

On their last day in the mountains, everyone was wrapped up

in "their own private feelings about coming down the mountains."

"People were walking alone trying to take in the last hours of the majesty," Ms. Mares said.

"I went to get completely away, to divorce myself from urban life. We all have sedentary jobs and we wanted the physicalness, the exercise," she said. She said she came back with insight into a Third World country and an appreciation for her own country.

Ms. Avrin said the trip gave her a new view of life and work.

"You're only judged on if you can get up the mountain, not by who you are and what you do. It's humbling, and it puts everything into perspective. I hope it lasts. I want to hold on to it," she said.

For Ms. Marshall, the "fresh perspective" struck her after she set down on American soil.

"Things that seemed so important at home didn't after the trip," she said.

"I spent a lot of time thinking about how people live there. It is primitive with everything powered by human power in an underdeveloped country.

"I began to grasp the enormity of the economic gap between the United States and these countries." ■

# Electronic crossing system

## Lack of participants short-circuits second effort

**By Chuck Paustian**

The belief of some institutional investors that the ultimate success of electronic crossing networks depends on their ability to attract participants and develop liquidity was proven true last week.

On Jan. 7, officials of Instinet Corp., New York, and Plexus Group, Santa Monica, Calif., attempted a second crossing of trades on their system among four institutional investors. None of the trades crossed, although the initial crossing (Dec. 12) among seven participants was more successful.

"It's sort of an illustration of the conundrum . . . in the sense that when there's that few, the system does not work very well," said Edward C. Story, a partner at Plexus.

Nevertheless, Wall Street's inability to accommodate the growth of non-specific stock trading by institutional investors is the driving force behind the development of crossing networks.

Institutional investors have shifted their philosophical approach to the equity market, viewing equities more as a commodity than as a specific investment in an individual company.

This shift, documented by the growth of stock index funds and highly quantitative strategies, means institutional investors want to trade portfolios that represent the equity market or a particular segment of the market, rather than individual stocks.

"In other words, we're trading the stock market, not individual stocks. We're treating them more as a genuine commodity," said Robert E. Shultz, director of U.S. retirement funds at IBM Corp., based in Armonk, N.Y., in a speech before the New York Society of Security Analysts.

"Obviously as we have less focus on stocks, more on factors and more informationless trades, that implies sponsors need a different method of transacting in the marketplace," said Mr. Shultz, who oversees more than $18.19 billion in retirement assets.

Standard brokerage arrangements (with the possible exception of program trading) still deal with individual stocks and assume that these trades contain valuable information.

"All I'm suggesting is that more and more of the volume that crosses the floor (of the exchanges) every day is not specific based information trading of individual stocks," Mr. Shultz said.

Electronic crossing networks allow investors to trade entire portfolios in a matter of minutes, at a fraction of the commission cost and without market impact.

Besides the Instinet network, Jefferies & Co., Los Angeles, working with BARRA, Berkeley, Calif., have developed a computer crossing system (*Pensions & Investment Age*, Dec. 22). Chase Manhattan Bank, New York, is working on an electronic crossing network project.

Pension funds increasingly have shifted their view of equity investments toward more passive and quantitative strategies.

Assets invested in stock index funds have grown to about $102.34 billion as of Nov. 30. Seven of the 10 investment managers identified by *P&I Age* as up-and-coming investment firms employ quantitative strategies.

"Part of that (growth) is disillusionment with active management and recognition that there are additional costs associated with active management," said Edward Baker, director of BARRA.

Mr. Baker said the additional costs of active management include fees for monitoring services and higher transaction costs.

A recent survey of institutional equity brokerage commissions conducted by SEI Corp., Wayne, Pa., shows investment managers pay an average of 7.2 cents per share, compared with 7.3 cents per share for stock trades the previous year.

But active management will not disappear. "We will see more kinds of active management that have a portfolio-oriented concept rather than a stock picking-oriented concept," Mr. Baker said.

Wall Street traders are not ade-

*Continued on page 38*

# *Tax reform top story of '86*

**By Nancy K. Webman**

Passage of tax reform was the most significant event affecting the capital markets in 1986, a survey of *Pensions & Investment Age*'s readers shows.

The survey questionnaire, published in the Nov. 24 issue of *P&I Age*, invited readers to rank order — among 22 choices — the five most important financial news events of last year.

Tax reform will eliminate the deductibility of many individual retirement accounts, reduce the scope of 401(k) salary reduction plans and require five-year vesting in pension plans. More than 86% of respondents picked tax reform as one of the top five stories.

The collapse of Ivan F. Boesky's arbitrage empire the second most significant news event of 1986, appearing in the rankings of more than 62% of the respondents.

Mr. Boesky is the central figure in the Securities and Exchange Commission's widening probe into insider trading. He was fined $50 million and had to return $50 million in illegal profits.

The dramatically increased use of program trading was the third most significant story.

Program trades take advantage of the spreads between the prices of stocks and stock index futures and options, and have been blamed for the stock market's increased volatility. More than 62% of respondents chose program trading as one of the five most important stories of the year.

The sharp drop in interest rates was the fourth most significant story, appearing on more than 59% of respondents' lists.

A fourfold increase in the use of portfolio insurance was chosen as the fifth-ranked news event, but only 30% of respondents listed portfolio insurance among the five most significant stories.

Two other news events received many votes: The crisis in fiduciary liability insurance was ranked sixth, even though it appeared on only one-quarter of the respondents' lists; and the effect on the Pension Benefit Guaranty Corp. of The LTV Corp.'s estimated $650 unfunded pension liability was ranked seventh, appearing on 35% of respondents' lists.

Survey responses were tabulated by awarding five points to the reader's top-ranked story; four points to the second-ranked one; three points to the third; two points to the fourth; and one point to the fifth. ■

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# Mergers' effect assessed

## Changes seen for cash management, trust units

By Fred Williams
and Marcia Parker

The merger of Dallas banks RepublicBank Corp. and InterFirst Corp., and the acquisition of Texas Commerce Bancshares, Houston, by Chemical New York Corp., will produce two dominant cash management banks and reshape their trust and investment services.

In fact, one cash management consultant predicts the Republic/InterFirst merger will create the nation's largest cash management bank.

The picture is hazier in the trust area. Republic and TCB run their assets in the trust departments, while InterFirst and Chemical have investment management subsidiaries.

Although immediate effects likely will be minimal, bank officials concede overlapping services eventually will be eliminated and operations consolidated.

Analysts predict there will be cost cutting, but no price reductions for corporate customers.

One outcome of the mergers already is evident: The two bank holding companies will become dominant in the bank cash management services business, said Anthony Carfang, principal with Treasury Strategies Inc., a Chicago cash management consulting firm whose clients include Chemical, Republic and InterFirst.

"In the longer run, the Republic/InterFirst merger will see some consolidation, which will result in higher-quality services . . . Basically what you will get is the largest cash management bank in the United States and with incredible economies of scale," he said.

The combination of TCB and Chemical will "create an interesting combination . . . TCB will have access to Chemical's nationwide collection and cash disbursement network. By the same token, Chemical can add some Texas points to its controlled disbursement network and take advantage of some other geographic considerations," he said.

Jerry Boynton, senior vice president-cash management at TCB, said officials of TCB and Chemical still are examining each other's operations. "There is a sense of autonomy here and we believe it is for real. But it is foolish to believe there won't be some cross-fertilization in people and in facilities," he said.

In the trust area, the Texas banks share clients. Southwestern Bell Corp., St. Louis, for example, uses all three to manage a portion of its pension assets.

R.W. Wohlert, assistant treasurer-corporate finance at Southwestern Bell, said he doesn't anticipate any major changes as a result of the mergers.

"Republic-InterFirst will be an even stronger organization combined. But we will have to wait and see how they consolidate and what they eliminate," he said.

"With TCB, I'm not so sure Chemical will be any major influence on the trust side. We don't really have any big concerns."

In the trust area, the merger with InterFirst will bring Republic access to dozens of regional and national clients now investing with InterFirst through its subsidiary, InterFirst Investment Management Inc.

InterFirst Investment has about $6.5 billion under management, $3 billion of it tax exempt, according to the *Pensions & Investment Age* May 19 listing of the largest money managers. RepublicBank has about $7.5 billion total under management, with $5.5 billion of it tax exempt.

TCB's trust department has $9 billion under management with about $5 billion in tax-exempt assets, officials there said. And according to a 1985 American Bankers Association survey, Chemical had $16.3 billion in discretionary trust assets.

Republic and InterFirst officials are considering combining assets, but the investment styles differ. InterFirst Investment Management is a low price-earnings ratio, growth manager; Republic tends to be more value oriented.

"I'm not sure how they will reconcile it," said Southwestern Bell's Mr. Wohlert. "My understanding is that they will run things the same as in the past and have no immediate plans to do away with either style. We will have the same portfolio managers and will maintain the same styles."

David J. Pittman, senior vice president and director-trust corporate services marketing at Republic, said the issue is "something that we will have to look at."

H. Edward Anderson, Republic's chief investment officer, is expected to assume overall responsibility for investments whatever the final setup. Mr. Pittman is expected to assume overall corporate marketing responsibilities.

"On the investment side, our performance has been better (than InterFirst) recently. They lost Dan Forrestal (as president of InterFirst's subsidiary) and we have some duplication. Both have research teams and there probably is no need for two research departments," said Mr. Pittman.

"Republic does international and they don't. The InterFirst real estate portfolio is larger and both are strong in property management. We manage our own short-term assets and they use AIM (Management in Houston). On the commingled side, it is likely that there will be some merging sometime in the future. It doesn't make sense to run separate commingled funds."

Mr. Pittman said the annual revenue expected to be generated by the combined trust operation is about $100 million.

In the master trust/custody area, InterFirst handles $8 billion and RepublicBank, $29.8 billion. Republic has built a national reputation in this area and Mr. Pittman said while both banks offer record-keeping capabilities any changes in this area would be "longer term in nature."

At TCB, William Wagner, trust vice president, said: "It's going to be steady as you go for us, only faster," he said. "There will be no changes for at least five years and each bank is going to operate autonomously."

TCB's small but profitable trust division is one nugget that made the acquisition of the Houston bank attractive to Chemical.

There also is speculation Chemical may use the TCB master trust operation to get back into a business the big money center bank left several years ago, although Chemical officials declined to discuss that possibility.

Said Mr. Wagner: "The trust department has been the focus of business development plans at Texas Commerce for the last five years. We are starting to get some new products such as securities lending and on-line services . . . We will be able to learn from each other."

Carole Berger, vice president and bank analyst at Cyrus J. Lawrence Inc., New York, expects Chemical to leave TCB's trust operation alone.

"If it isn't broken, don't fix it," she said. "It's important as far as the market there. Having a trust operation in Texas is valuable. It hasn't been a profit center for Chemical. Money center banks haven't done it well. But that's not the case for some of the smaller banks."

Bank officials declined to comment on whether the trust area would be spun off into an independent money management firm as has been speculated. Chemical spun off its $8 billion trust and investment division into Favia Hill & Associates, New York, in 1983.

TCB's trust department underwent some reorganization last year. One of the biggest blows was the resignation of its highly regarded equity investment manager William Lee.

Earlier, Russ Schulze II, senior vice president and trust officer, resigned after a policy disagreement. Now with National Actuarial Pension Services in Houston, Mr. Schulze said the merger with Chemical should help TCB in the investment side but, "I'm not sure it will do anything in the trust area." ■

## Corrections & clarifications

• **Lehndorff & Babson Real Estate Counsel**, Dallas, does not buy property nor sell it to its clients, as was stated in a Nov. 10 article.

• **NWQ Investment Management Co.**, Los Angeles, was hired by the Monroe (Mich.) Retirement System to run a $7.6 million portfolio. The money manager was identified incorrectly in the Nov. 10 issue.

• The proxy research firm for State of Connecticut Trust Funds was reported incorrectly Nov. 24. The firm is **The New England Asset Management Co.**, Hartford, Conn.

• **Morton Thiokol Inc.** had $454 million in defined benefit plan assets as of Sept. 30. The assets were given incorrectly in the Dec. 22 issue.

• An article in the Dec. 22 issue omitted **Prudential Asset Management Group**, Newark, N.J, as a passive fixed-income manager. As of Jan. 1, 1986, the firm had $4.627 billion in such assets under management.

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# 1986 underwriting rankings
## (Full credit to lead manager)

# Firms scrambled for their share of '86 issues flood

By Marci Baker

NEW YORK — Low interest rates, an ebullient stock market, hectic merger activity and pending tax laws sent issuers into the domestic markets in droves last year, creating the biggest year ever for new-issue financings.

Perennial front-runners in the scramble for market share mostly retained their positions, but in several market segments (straight debt, mortgage-backed securities and junk bonds) they did so by narrower margins.

Overall domestic financing climbed to a record $285 billion, up 106.5% from the $138 billion raised by issuers in 1985, according to IDD Information Services, New York.

The number of issues increased 69.5% to 3,767, from 2,222 in 1985.

## All issues

### U.S. market

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Salomon Brothers | 51,028.3 | 450 |
| 2. First Boston | 44,096.1 | 406 |
| 3. Morgan Stanley | 31,819.6 | 275 |
| 4. Drexel Burnham | 30,732.2 | 266 |
| 5. Merrill Lynch | 30,537.7 | 313 |
| 6. Goldman, Sachs | 29,456.4 | 267 |
| 7. Shearson Lehman | 17,512.7 | 281 |
| 8. Kidder, Peabody | 10,153.5 | 186 |
| 9. PaineWebber | 5,048.9 | 125 |
| 10. Bear, Stearns | 4,087.5 | 85 |
| 11. Prudential-Bache | 4,073.4 | 77 |
| 12. Smith Barney | 3,465.4 | 64 |
| 13. Dean Witter | 2,419.5 | 48 |
| 14. E.F. Hutton | 2,341.1 | 43 |
| 15. Lazard Freres | 2,198.7 | 15 |

### Euromarket*

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Salomon Brothers | 54,925.8 | 478 |
| 2. CSFB[1] | 48,788.8 | 434 |
| 3. Morgan Stanley | 34,546.6 | 292 |
| 4. Merrill Lynch | 34,162.1 | 336 |
| 5. Goldman, Sachs | 31,799.7 | 278 |
| 6. Drexel Burnham | 31,105.2 | 271 |
| 7. Shearson Lehman | 19,875.4 | 298 |
| 8. Kidder, Peabody | 10,644.4 | 195 |
| 9. PaineWebber | 5,108.9 | 127 |
| 10. Prudential-Bache | 4,477.9 | 80 |
| 11. Nomura Securities | 4,359.5 | 32 |
| 12. Bear, Stearns | 4,039.5 | 84 |
| 13. Smith Barney | 3,465.4 | 64 |
| 14. Dean Witter | 2,419.5 | 48 |
| 15. E.F. Hutton | 2,341.1 | 43 |

### Worldwide**

| Firm | $ mil. | Issues |
|---|---|---|
| 1. CSFB[1] | 63,873.3 | 507 |
| 2. Salomon Brothers | 59,263.2 | 504 |
| 3. Morgan Stanley | 40,662.6 | 348 |
| 4. Merrill Lynch | 36,530.1 | 354 |
| 5. Goldman, Sachs | 33,077.4 | 289 |
| 6. Drexel Burnham | 31,105.2 | 271 |
| 7. Shearson Lehman | 21,767.4 | 305 |
| 8. Nomura Securities | 16,850.0 | 144 |
| 9. Deutsche Bank | 12,081.8 | 85 |
| 10. Kidder, Peabody | 11,098.5 | 198 |
| 11. Daiwa Securities | 10,795.6 | 99 |
| 12. Morgan Guaranty | 10,405.8 | 72 |
| 13. Union Bank Switz. | 8,038.8 | 81 |
| 14. Banque Paribas | 7,529.5 | 72 |
| 15. Nikko Securities[2] | 5,785.7 | 59 |

## Bond issues

### Straight debt

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Salomon Brothers | 44,057.3 | 369 |
| 2. First Boston | 39,840.1 | 360 |
| 3. Morgan Stanley | 26,786.0 | 203 |
| 4. Merrill Lynch | 24,243.8 | 194 |
| 5. Goldman, Sachs | 22,490.5 | 188 |
| 6. Drexel Burnham | 21,877.5 | 132 |
| 7. Shearson Lehman | 12,846.6 | 211 |
| 8. Kidder, Peabody | 7,022.7 | 117 |
| 9. PaineWebber | 3,424.7 | 75 |
| 10. Bear, Stearns | 3,002.0 | 51 |
| 11. Smith Barney | 2,211.0 | 31 |
| 12. Prudential-Bache | 1,986.9 | 46 |
| 13. E.F. Hutton | 1,659.3 | 20 |
| 14. Dillon, Read | 1,608.9 | 15 |
| 15. Dean Witter | 1,544.4 | 26 |

### Convertible debt

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Drexel Burnham | 3,203.7 | 50 |
| 2. First Boston | 1,095.0 | 13 |
| 3. Merrill Lynch | 928.7 | 15 |
| 4. Morgan Stanley | 634.5 | 9 |
| 5. Goldman, Sachs | 460.0 | 8 |
| 6. Donaldson, Lufkin | 431.1 | 10 |
| 7. Kidder, Peabody | 400.0 | 7 |
| 8. Shearson Lehman | 295.0 | 5 |
| 9. L.F. Rothschild | 270.0 | 7 |
| 10. Salomon Brothers | 270.0 | 5 |
| 11. Bear, Stearns | 205.0 | 5 |
| 12. Smith Barney | 185.0 | 4 |
| 13. Dean Witter | 152.0 | 5 |
| 14. Allen | 150.0 | 3 |
| 15. Robinson-Humphrey | 130.0 | 5 |

### Mortgage related

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Salomon Brothers | 17,023.3 | 196 |
| 2. First Boston | 12,093.4 | 225 |
| 3. Merrill Lynch | 7,592.3 | 66 |
| 4. Shearson Lehman | 4,096.7 | 144 |
| 5. Morgan Stanley | 3,804.5 | 71 |
| 6. Kidder, Peabody | 3,095.4 | 79 |
| 7. Goldman, Sachs | 2,590.5 | 49 |
| 8. Prudential-Bache | 1,395.1 | 39 |
| 9. Drexel Burnham | 1,365.7 | 25 |
| 10. PaineWebber | 1,211.2 | 52 |
| 11. Bear, Stearns | 995.3 | 24 |
| 12. Dean Witter | 833.9 | 16 |
| 13. Thomson McKinnon | 396.1 | 15 |
| 14. Wheat | 273.6 | 22 |
| 15. Rauscher Pierce | 114.5 | 8 |

## Stock issues

### Common stock

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Goldman, Sachs | 4,858.4 | 50 |
| 2. Merrill Lynch | 4,350.2 | 89 |
| 3. Salomon Brothers | 4,101.0 | 40 |
| 4. Shearson Lehman | 3,201.7 | 51 |
| 5. Morgan Stanley | 3,092.0 | 43 |
| 6. Drexel Burnham | 2,680.9 | 63 |
| 7. First Boston | 2,268.5 | 21 |
| 8. Prudential-Bache | 1,891.5 | 27 |
| 9. Kidder, Peabody | 1,806.8 | 52 |
| 10. Lazard Freres | 1,652.0 | 10 |
| 11. PaineWebber | 1,413.5 | 43 |
| 12. Allen | 1,126.7 | 7 |
| 13. Alex. Brown | 1,099.2 | 42 |
| 14. Smith Barney | 919.4 | 27 |
| 15. Dean Witter | 723.1 | 17 |

### Straight preferred

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Salomon Brothers | 2,070.0 | 30 |
| 2. Drexel Burnham | 1,495.0 | 8 |
| 3. Morgan Stanley | 1,237.1 | 19 |
| 4. Goldman, Sachs | 1,145.0 | 16 |
| 5. Shearson Lehman | 1,019.4 | 11 |
| 6. Merrill Lynch | 720.0 | 12 |
| 7. First Boston | 660.0 | 9 |
| 8. Oppenheimer | 175.0 | 3 |
| 9. Prudential-Bache | 150.0 | 2 |
| 10. Kidder, Peabody | 149.0 | 4 |
| 11. E.F. Hutton | 85.6 | 2 |
| 12. Bear, Stearns | 70.0 | 1 |
| 13. PaineWebber | 49.0 | 2 |
| 14. Rauscher Pierce | 40.0 | 1 |
| 15. Laidlaw Adams | 4.5 | 1 |

### Convertible preferred

| Firm | $ mil. | Issues |
|---|---|---|
| 1. Drexel Burnham | 1,475.0 | 13 |
| 2. Kidder, Peabody | 775.0 | 6 |
| 3. Salomon Brothers | 530.0 | 6 |
| 4. Goldman, Sachs | 502.5 | 5 |
| 5. Merrill Lynch | 295.0 | 3 |
| 6. Bear, Stearns | 250.0 | 2 |
| 7. First Boston | 232.5 | 3 |
| 8. Shearson Lehman | 150.0 | 3 |
| 9. Smith Barney | 150.0 | 2 |
| 10. Lazard Freres | 125.0 | 1 |
| 11. Alex. Brown | 120.0 | 2 |
| 12. PaineWebber | 71.7 | 2 |
| 13. Morgan Stanley | 70.0 | 1 |
| 14. Donaldson, Lufkin | 50.0 | 1 |
| 15. L.F. Rothschild | 21.2 | 1 |

* U.S. issuers only
**All issuers

[1] Credit Suisse First Boston
[2] Europe

Source: IDD Information Services, New York

Salomon Brothers Inc. was the leader, raising $51 billion for 450 deals. Even though Salomon's dollar and transaction volumes increased from 1985, its domestic financing market share dipped to 17.9% from 22.3%.

Morgan Stanley & Co. Inc. was the biggest gainer, managing $31.8 billion in 275 deals, up from $10 billion and 104 issues in 1985. The increase gave the firm an 11.2% market share vs. 7.3% in 1985. That was enough to move the firm into third place from sixth, according to IDD.

The First Boston Corp., meanwhile, retained its No. 2 spot and 15.5% market share, managing $44.1 billion in 406 issues last year.

Moving up a notch into fourth place was Drexel Burnham Lambert Inc., with $30.7 billion in 266 deals, a 10.8% market share. Merrill Lynch Capital Markets, which ranked fourth in 1985, dropped to fifth in 1986, with $30.5 billion in 313 deals, a 10.7% market share.

Salomon's lead in straight debt financing also narrowed, while Morgan Stanley's increased market share vaulted the firm into third place (from sixth in 1985) behind First Boston.

Straight debt volume more than doubled in 1986 to reach $218 billion. Salomon underwrote $44 billion, up significantly from the $26 billion it helped raise in 1985, but its market share declined to 20.2% from 26.6% in 1985.

Morgan Stanley managed $27 billion of total straight debt, up 286% from the $7 billion it financed in 1985. First Boston, managing almost $40 billion, saw dollar volume credited to the firm climb from $18 billion in 1985 with only a slight drop in market share — 18.3% in 1986 vs. 18.7% in 1985.

Morgan Stanley upped its standings in convertible debt financing as well, increasing its market share to 6.3% from 2.8% in 1985 and, moving into fourth place from 12th.

Drexel ran away with the lead in convertible debt, raising $3.2 billion of the $10 billion in convertible securities issued in 1986 and doubling its market share to 32%.

First Boston ranked second, managing $1.1 billion, although its market share dipped modestly to 10.8% from 11.4% in 1985. Merrill Lynch, which fell to third from first in 1985, saw its market share fall to 9.2% from 18.7%.

Drexel also climbed the initial public offering rankings, moving to second in 1986 from sixth in 1985, managing $2 billion or an 8.5% market share.

IPO volume overall surged to a record $22.5 billion, shattering 1983's record volume by 80% and 1985 volume by 161%.

Merrill Lynch, was first in the IPO rankings, managing $2.4 billion for a 10.8% market share. Although its volume increased $1.1 billion in the 12-month period, Merrill's market share dipped from 15%.

Goldman, Sachs & Co., 1985's IPO leader, fell to third place in 1986, with its market share dropping to 8% from 20%.

Unusually large deals fueled other big moves in the IPO rankings for a number of firms.

Prudential-Bache Securities Inc. rose to fourth place from 13th largely because of its role in two mutual fund IPOs — the $750 million First Australia Prime Income Fund and the $570 million Global Yield Fund.

Lazard Freres climbed to sixth from ninth, thanks to its role in The Henley Group's $1.2 billion new equity offering — the largest stock deal of the year.

Allen & Co. jumped to eighth from 26th after underwriting Coca-Cola Enterprises' $1 billion IPO.

IPO activity also figured largely in the 72% climb in common stock issuance in 1986. Common stock volume closed the year at $43 million, up from just less than $25 million in 1985, with IPOs accounting for roughly one-half of that.

Retaining their first-, second- and third-

*Continued on page 8*

# Firms scrambled for share . . .

*Continued from page 7*

place spots, respectively, were Goldman, Merrill and Salomon. Goldman managed almost $4.9 billion, or 11.3% of total volume in common stock issues; Merrill, $4.4 billion or 10.1% market share; and Salomon, $4.1 billion, 9.5%.

The steady flow of domestic financings also fueled an impressive increase in U.S. issuer volume worldwide. U.S. issuers raised $327 billion at home and abroad — an 85% increase from 1985 — through 4,124 issues (a 60% increase).

Among underwriters for U.S. issuers worldwide, Salomon was first, capturing $55 billion of the total volume; First Boston was second, with $49 billion; and Morgan Stanley was third, with almost $35 billion.

Credit Suisse First Boston, continued to lead other firms in worldwide financings for U.S. and overseas issuers, while Salomon remained closely behind.

CSFB managed $63.9 billion of the $486 billion raised by all issuers in 1986, capturing 13.1% of the market. Salomon acted as lead underwriter on $59 billion, or 12.2%. Both firms' market share dropped slightly, though.

Morgan Stanley's market share increased to 8.4% in 1986 from 5.8% in 1985; Morgan moved into third place last year from fifth previously.

Perennial mortgage-related debt leaders Salomon and First Boston continued to dominate, although by smaller margins.

Total mortgage-related debt dollar volume increased 190% in 1986 to $57.1 billion from $19.7 billion, but both firms suffered drops in their market shares — seven percentage points for Salomon and nine for First Boston. Merrill captured much of what they lost, more than doubling its market share.

IDD credited $17 billion of 1986's mortgage-related debt deals to Salomon for 30% of the market; First Boston, $12 billion and 21% share; and Merrill, $7.6 billion and a 13.3% share.

Almost half of Merrill's total came from four deals that ranked among last year's 20 largest debt deals. Two were $1 billion collateralized mortgage obligations, one with floating-rate securities. Shearson Lehman Brothers Inc., which was the first to launch CMO floaters, placed fourth, with $4.1 billion or a 7.2% market share.

In straight preferred, Salomon moved into first place, managing $2.1 billion for a 23% piece of dollar volume generated in 1986. Overall, straight preferred dollar volume climbed 44% last year to $9.1 billion from $6.3 billion in 1985.

Salomon's move up from second place stemmed largely from the firm's growing dominance in the auction-rate preferred stock, which quickly became the most popular form of straight preferred following its debut in mid-1983.

Shearson Lehman, which through the creation of dutch auction-rate preferred captured 31.5% of the straight preferred volume in 1985, fell to fifth place last year. It managed just more than $1 billion for an 11.2% market share.

Drexel, which managed $1.5 billion or 16.5% of the total, moved into the No. 2 slot from sixth in 1985.

Convertible preferred offerings increased 113% to $4.9 billion from $2.3 billion for 1985. Drexel was the leader, managing $1.47 billion of the total for 30% of market volume, largely because of its role as sole manager in the February offering of $1.1 billion in exchangeable preferred securities for Rupert Murdoch's Fox Television — the second largest equity deal of the year.

Kidder, Peabody & Co. came in second for the year, managing $775 million for a 15.8% market share, followed by Salomon, managing $83.7 million for a 10.8% market share.

U.S. issuers' focus on the domestic debt markets for financing led to a largely uneventful year for Eurobond financing. Volume closed the year at $38.3 billion, up only 6.4% from the $36 billion raised in that market for 1985.

One key highlight was Nomura Securities' rise to third from eighth place in 1985, largely by taking market share away from the Eurobond market's typical leaders, Credit Suisse First Boston and Salomon.

CSFB took first place, with 12.3% of total dollar volume, or $4.71 billion, vs. 14.3% in 1985. Salomon followed with 10.2%, or $3.9 billion, down from 15.5% in the previous year.

Nomura edged up behind Salomon by increasing its market share to 10.1%, or $3.86 billion, from 4.2% in 1985. The Japanese firm's number of Eurobond deals more than doubled as well, to 28 in 1986, the same number CSFB and Salomon managed.

Receivable-backed securities came into their own in 1986, with First Boston effectively cornering that market. It issued virtually all of the $10 billion in asset-backed offerings, a 713% increase from 1985 levels. Deals included a $4 billion offering of securities backed by automobile loans purchased from General Motors Acceptance Corp. and issued through a special-purpose First Boston subsidiary. It ranked as the largest domestic debt offering ever brought to the market, while the CMO-type structure employed was the first of its kind. ■

**Salomon Brothers**

| Market | Rank '86 | Rank '85 |
|---|---|---|
| U.S. market | 1 | 1 |
| Eurobond | 2 | 1 |
| Worldwide | 2 | 2 |
| Straight debt | 1 | 1 |
| Convertibles | 9 | 8 |
| Junk bonds | 3 | 2 |
| Mortgage debt | 1 | 1 |
| Common stock | 3 | 3 |
| IPOs | 11 | 5 |
| Straight pref. | 1 | 2 |
| Convertible pref. | 3 | 6 |

**First Boston**

| Market | Rank '86 | Rank '85 |
|---|---|---|
| U.S. market | 2 | 2 |
| Eurobond | 1 | 2 |
| Worldwide | 1 | 1 |
| Straight debt | 2 | 2 |
| Convertibles | 2 | 3 |
| Junk bonds | 6 | 5 |
| Mortgage debt | 2 | 2 |
| Common stock | 7 | 5 |
| IPOs | 7 | 14 |
| Straight pref. | 7 | 5 |
| Convertible pref. | 7 | 8 |

**Merrill Lynch**

| Market | Rank '86 | Rank '85 |
|---|---|---|
| U.S. market | 5 | 4 |
| Eurobond | 4 | 5 |
| Worldwide | 4 | 3 |
| Straight debt | 4 | 5 |
| Convertibles | 3 | 1 |
| Junk bonds | 2 | 8 |
| Mortgage debt | 3 | 4 |
| Common stock | 2 | 2 |
| IPOs | 1 | 2 |
| Straight pref. | 6 | 3 |
| Convertible pref. | 5 | 7 |

**Morgan Stanley**

| Market | Rank '86 | Rank '85 |
|---|---|---|
| U.S. market | 3 | 6 |
| Eurobond | 5 | 4 |
| Worldwide | 3 | 5 |
| Straight debt | 3 | 6 |
| Convertibles | 4 | 12 |
| Junk bonds | 4 | 3 |
| Mortgage debt | 5 | 9 |
| Common stock | 5 | 4 |
| IPOs | 10 | 10 |
| Straight pref. | 3 | 4 |
| Convertible pref. | 12 | 4 |

**Goldman, Sachs**

| Market | Rank '86 | Rank '85 |
|---|---|---|
| U.S. market | 6 | 3 |
| Eurobond | 6 | 3 |
| Worldwide | 5 | 4 |
| Straight debt | 5 | 3 |
| Convertibles | 5 | 4 |
| Junk bonds | 7 | 6 |
| Mortgage debt | 7 | 9 |
| Common stock | 1 | 1 |
| IPOs | 3 | 1 |
| Straight pref. | 4 | 7 |
| Convertible pref. | 4 | 1 |

**Drexel Burnham Lambert**

| Market | Rank '86 | Rank '85 |
|---|---|---|
| U.S. market | 4 | 5 |
| Eurobond | 57 | 74 |
| Worldwide | 6 | 6 |
| Straight debt | 6 | 4 |
| Convertibles | 1 | 2 |
| Junk bonds | 1 | 1 |
| Mortgage debt | 9 | 6 |
| Common stock | 6 | 8 |
| IPOs | 2 | 6 |
| Straight pref. | 2 | 6 |
| Convertible pref. | 1 | 2 |

# *Missouri fund chief quits post*

JEFFERSON CITY, Mo. — Mary Jean Hackwood has resigned as executive director of the $989 million Missouri State Employees' Retirement System, reportedly because of disagreements with some board members.

"She resigned because she and a majority of the board couldn't get along," said board member Pat Parker, who added she had no problems with Ms. Hackwood.

"We didn't agree on everything — no two people agree on everything," Ms. Parker said. "But she did a lot of good things for the system and I hated to see her go."

Ms. Parker said the problems were more personality clashes than anything else. She said she did not believe they were related to investment strategy.

"When our fund grows from $200 million to nearly $1 billion in the five years and three months she's been there, you couldn't complain about investment strategy," Ms. Parker said.

"During (Ms. Hackwood's) tenure we have seen quite a diversification and quite a more active investment program," said another board member, Lee Capps.

The fund was largely in bonds before Ms. Hackwood came on as executive director, Mr. Capps said. It now has a mix of investments, including equities and real estate.

There had been problems with administration of the state employees' health benefits, but Ms. Hackwood was able to straighten those out and they were not related to her resignation, Ms. Parker said.

Ms. Hackwood's resignation is effective Feb. 28. Rosemary Eppenaur, assistant executive director of the fund, will cover Ms. Hackwood's duties while the nine-member board looks for a replacement, Ms. Parker said. Ms. Eppenaur is not interested in the executive director's job, Ms. Parker said.

Ms. Hackwood could not be reached for comment. She is exploring other job opportunities, Ms. Parker and Mr. Capps said. ■

# Junk bonds set record

**By Marci Baker**

NEW YORK — Mergers and corporate restructuring activities helped push junk bond financing to record levels in 1986, while Wall Street firms appeared to make some headway in their efforts to wrest market share from Drexel Burnham Lambert Inc.

According to IDD Information Services, New York, issuers raised more than $32 billion in straight high-yield debt last year, more than double the $14.8 billion raised in 1985.

Drexel continued to dominate, managing $14.6 billion of the total. At 45%, however, Drexel's market share declined from the 56% and 68% it won in 1985 and 1984, respectively.

Merrill Lynch Capital Markets, which ranked eighth in 1985, moved up to second place in 1986, underwriting $3.2 billion, or just less than 10%, of junk bond volume. Salomon Brothers Inc. placed third, with $2.4 billion or 7.5% of the market; Morgan Stanley & Co. was fourth, managing $2.3 billion or 7.1%; and Shearson Lehman Brothers Inc. was fifth, with $2 billion or 6.2%.

For many, inroads into the high-yield market were tied to efforts to raise financing for management buy-outs and other leveraged acquisition deals. Merrill Lynch, for example, raised about $430 million in junk bonds as part of financing arranged for the management buy-out of Jack Eckerd Corp.

Goldman, Sachs & Co., meanwhile, completed its first major junk bond sale with the buy-out of R.H. Macy & Co. by General Electric Credit Corp.

Goldman initially placed $950 million of Macy bonds, although the deal wasn't included in IDD's rankings because it wasn't firmly underwritten. Shortly thereafter, Goldman and Kidder, Peabody & Co. were co-underwriters on the sale of $400 million in Macy bonds purchased just prior to completion of the buy-out.

Although the dominance of larger transactions sent dollar volume soaring, the number of issues for the year rose by a much smaller percentage.

IDD counted 227 issues launched during 1986, up only 25% from the 182 reported in 1985. Drexel managed 77 of those issues; Merrill, 24; Salomon 15; and Morgan Stanley and Shearson 12 each.

Still, other firms were unable to match Drexel's ability to finance the megadeals. Five of the Top 10 debt financings for 1986 were acquisition-related deals done by Drexel, and accounted for $8.4 billion of newly issued high-yield debt.

Among them were the $2.5 billion leveraged buy-out of Beatrice Cos., the $1 billion buy-out of Safeway Stores — both engineered by Kohlberg Kravis & Roberts — and Turner Broadcasting System's $1.2 billion financing for the purchase of MGM/UA Entertainment.

In addition to straight debt, high-yield issuers raised another $8.8 billion in convertible bonds in 1986, bringing the total for below-investment-grade debt issues to $41 billion. Volume for straight and convertible high-yield debt in 1985 totaled $19 billion.

Including convertibles, Drexel managed $17.8 billion of the $41 billion total, for a market share of 43%.

Merrill raised $3.7 billion, for a 9% share; Morgan Stanley, $2.8 billion, 6.9%; Salomon Brothers, $2.7 billion, 6.5%; Shearson, $2.2 billion, 5.3%; and First Boston Corp., $2.1 billion, 5.2%.

**Below-investment-grade issues***

| Firm** | $ mil. | Issues |
|---|---|---|
| 1. Drexel Burnham | 14,587.8 | 77 |
| 2. Merrill Lynch | 3,174.8 | 24 |
| 3. Salomon Brothers | 2,423.8 | 15 |
| 4. Morgan Stanley | 2,280.2 | 12 |
| 5. Shearson Lehman | 2,018.7 | 12 |
| 6. First Boston | 1,541.9 | 10 |
| 7. Goldman, Sachs | 1,499.2 | 11 |
| 8. Bear, Stearns | 1,115.6 | 13 |
| 9. Kidder, Peabody | 789.7 | 6 |
| 10. E.F. Hutton | 617.0 | 5 |
| 11. PaineWebber | 539.1 | 7 |
| 12. Prudential-Bache | 498.8 | 5 |
| 13. L.F. Rothschild | 333.5 | 4 |
| 14. Donaldson, Lufkin | 310.5 | 7 |
| 15. Dean Witter | 197.3 | 4 |

* Excludes convertible issues
** Full credit to lead manager
Source: IDD Information Services, New York

# PBGC selects 5 for equity farm team

**By Richard Gillespie**

WASHINGTON — In a move to streamline its manager selection process, the Pension Benefit Guaranty Corp. selected five managers to run $5 million equity accounts on a trial basis.

They are J.P. Morgan Investment Management Inc., New York; Disciplined Investment Advisors, Evanston, Ill.; Nelson, Benson & Zellmer Inc., Denver; Furman Selz Capital Management Inc., New York; and Loomis, Sayles & Co. Inc., Pasadena, Calif.

The PBGC also hired Manufacturers Hanover Trust Co., New York, as custodian of the so-called "prospect fund." State Street Bank and Trust Co., Boston, is custodian of its principal trust fund assets.

The pension fund insurer, which has about $1.4 billion in assets, was scouting for rising stars to inherit the PBGC's burgeoning equity portfolios.

Julie Shriver, senior investment adviser with the PBGC's fund, interviewed 105 managers in a year, at one point eliminating managers with less than $100 million in total assets.

Apart from that, the major criterion was good investment performance for at least two years with the same management team in place.

The approach is aimed at providing smoother management transfer as new money is brought into the program, and at eliminating delays in the selection process.

Anticipating a large influx of assets in the near future (in part from the termination of some of The LTV Corp.'s pension plans), the PBGC needs a manager network to handle the volume, she said.

Generally, the PBGC has suffered from the unpredictable nature of its cash flows: Plans can terminate at any time, and the agency needs to have its managers already in place.

With the farm team in place, existing managers can absorb the surplus almost immediately.

The PBGC doesn't like to be the largest client of any of its managers, nor does it want any of its individual accounts to be greater than $200 million.

The agency now uses five non-farm team equity managers, running PBGC accounts ranging from $50 million to $200 million.

All the new managers are compensated using the PBGC's performance-based fee scale; not all its principal managers are so rewarded.

While the initial account size for a farm team manager is small, a manager that demonstrates superior capabilities will be awarded a $50 million account and moved up to the roster of principal managers.

In fact, Ms. Shriver said she thought two of the five new managers would be awarded a full-size $50 million account as early as summer, primarily as a result of anticipated cash flows.

Generally, the new managers can expect to be on the farm team one to two years, she said. After that, they will either be moved up or out.

The PBGC conducted the manager searches in-house.

According to John F. Hotchkis, chairman of the investment subcommittee of the PBGC's advisory committee, and a partner with the investment management firm, Hotchkis and Wiley, Los Angeles, the selection process was "comprehensive and thorough."

"Much of the emphasis of this farm team approach has been to look for new ideas, untried firms," said Ms. Shriver, who undertook the search.

Not all of the new hires are untried firms. J.P. Morgan, for example, has more than $40 billion under management.

Ms. Shriver said, however, the firm was not selected for its mainstream equity products, but rather for its new "core equity product," which matches the Standard & Poor's 500 stock index by sector weighting, with discretion to fill out each sector with its own selection of stocks.

Disciplined Investment Advisers' style is quantitative and essentially value oriented, but it complements this with an earnings momentum overlay, essentially providing a combination of value and growth, she said.

Nelson, Benson & Zellmer is a growth stock manager with an "attractive track record," she said, operating in all segments of the market in terms of market capitalization.

"It was very difficult to find growth stock managers with a good track record over the past few years," Ms. Shriver said.

"One attraction was its size. It does not have many large institutional clients. I see them as an up-and-coming firm," she said.

Furman Selz was selected because "it hits areas the other managers do not" she said. The firm operates a large-capitalization approach with a growth overlay.

Loomis, Sayles is a large-cap, value investor with an excellent track record, she said.

"We are not trying to run a closet index fund here, but simply back up our current fit of five managers who represent various segments of the market," she said. ■

# Index . . .

*Continued from page 1*

active managers underperformed the financial markets, said Jim Gately, executive vice president of Prudential Affiliated Investors, Newark, N.J., the umbrella group for Prudential Asset Management's various operations. Whether the growth will continue at such a high rate is hard to predict, he said.

Besides the underperformance of active managers, passive investing is popular because of lower management fees and lower transaction costs than those of active management.

While domestic stock index funds have attracted huge amounts of money, many managers look to bond and international indexing as the future growth areas.

"I think it (bond indexing) will explode," said Ed Robie, managing director of Western Asset Management Co., Los Angeles. "Fixed-income indexing is where equity indexing was 10 years ago. I think that as plan sponsors begin to look at their multimanager universe, they will find ways to employ structured (customized) and fixed-income indexing portfolio management as a way to reduce fees and increase value."

On the international side, the EAFE index has been doing very well and active international managers have had trouble beating it, said Richard A. Crowell, managing director-structured investment products group at The Boston Co., Boston.

"Our clients and our marketing people report great interest" in international indexing, Mr. Crowell said.

To date, international index funds have been almost exclusively stocks, but there is growing interest in applying the strategy to foreign bonds.

"I think that in three to five years it will be an idea that is quite interesting to plan sponsors," Mr. Robie said.

Of the money managers offering only domestic stock index funds, several said they plan to start bond or international index funds during 1987.

Still, among the funds that have indexed, the S&P 500 stocks make up the most popular indexing strategy, attracting $56 billion in assets.

The Wilshire 5000 universe of stocks was the index tracked by $3.5 billion, while the remainder on the stock side was made up of various customized indexes.

Mellon Capital Management Corp., San Francisco, recently launched the first fund based on the Russell 1000 index; about $500 million is invested.

(In a few cases, managers declined to say how much of their assets tracked each index. Also, one major index fund manager, American National Bank and Trust Co. of Chicago, declined to provide current figures, so its June 30 figures are repeated in the Nov. 30 total. Information on which indexes its funds tracked also was not available.)

The unavailability of some information may have skewed the S&P total somewhat; as it stands, it is down from the $62.8 billion reported in S&P 500 funds June 30. That may indicate a lessening of interest in these funds and growth in attraction to customized funds.

The Shearson Lehman Government/Corporate bond index remained the most popular benchmark for fixed-income index funds. About $17.8 billion tracked this index, up from $13.4 billion five months earlier.

Slightly more than $1.3 billion tracked the Salomon Brothers Broad Investment Grade bond index, up from $437 million five months earlier, and $263 million was in various Merrill Lynch universes, compared with $140.5 million at the time of the previous survey. Other fixed-income universes were customized or tracked sectors of the various large indexes.

In international, almost all the $3.2 billion in assets tracked the EAFE. Some of the assets were in various country indexes, in stocks that are components of the EAFE.

Wells Fargo Investment Advisors, San Francisco, remained by far the largest index fund manager, with more than twice the indexed assets of its nearest competitor, Bankers Trust Co. — Investment Management Group, New York. ■

## Top index fund managers
($ millions)

| | Total* indexed as of 11/30 | Domestic equity | Domestic bond | International | Total indexed as of 6/30 | Equity | Bond |
|---|---|---|---|---|---|---|---|
| Wells Fargo Invest. | 55,300 | 33,800 | 8,400 | 380 | 41,100 | 33,400 | 7,700 |
| Bankers Trust-Invest. | 23,200 | 18,100 | 5,100 | 0 | 20,700 | 18,300 | 1,300 |
| Mellon Capital Mgmt | 15,000 | 13,400 | 1,600 | 0 | 12,700 | 10,600 | 0 |
| State Street Bank | 13,530 | 8,290 | 2,520 | 2,280 | 13,115 | 10,802 | 2,103 |
| American Nat'l Bank | 10,000 | 9,000 | 1,000 | 0 | 10,000 | 9,000 | 1,000 |
| Mellon Bank | 4,000 | 0 | 4,000 | 0 | 5,530 | 1,100 | 4,430 |
| Alliance Capital Mgmt. | 3,500 | 3,500 | 0 | 0 | 2,600 | 2,600 | 0 |
| Chase Investors Mgmt. | 3,500 | NA | NA | NA | 1,647 | 1,647 | 0 |
| Dimensional Fund Advisors | 3,480 | 3,050 | 350 | 80 | 3,396 | 3,138 | 258 |
| Northern Trust | 2,800 | 2,620 | 55 | 110 | 2,616 | 2,422 | 10 |
| Wilshire Associates | 2,700 | 2,700 | 0 | 0 | 2,115 | 2,115 | 0 |
| Manufacturers Nat'l Bank | 2,610 | 2,600 | 10 | 0 | 2,731 | 2,731 | 0 |
| T. Rowe Price Associates | 1,550 | 150 | 1,400 | 0 | 429 | 0 | 429 |
| The Boston Co. | 1,500 | 1,300 | 100 | 100 | 750 | 650 | 100 |
| Lehman Management Co. | 1,500 | 0 | 1,500 | 0 | 1,029 | 0 | 1,029 |
| Putnam Advisory Co. | 1,500 | 0 | 1,500 | 0 | 50 | 0 | 50 |
| Prudential Asset Mgmt. | 1,450 | 521 | 631 | 298 | 1,034 | 652 | 382 |
| Harris Trust | 840 | 540 | 300 | 0 | 390 | 260 | 130 |
| Manufacturers Hanover Invest. | 635 | 25 | 610 | 0 | NA | NA | NA |
| Vanguard Group | 499 | 497 | 2 | 0 | 450 | 450 | 0 |
| RepublicBank Dallas | 350 | 300 | 50 | 0 | 457 | 457 | 0 |
| Tenneco Financial Services | 330 | 330 | 0 | 0 | NA | NA | NA |
| Centerre Trust | 300 | 300 | 0 | 0 | 260 | 260 | 0 |
| Western Asset Management | 300 | 0 | 300 | 0 | 65 | 0 | 65 |
| Aetna Life & Casualty | 283 | 108 | 175 | 0 | 118 | 118 | 0 |
| Axe Core Investors** | 275 | 275 | 0 | 0 | 249 | 249 | 0 |
| BA Investment Mgmt. | 240 | 130 | 110 | 0 | 224 | 122 | 102 |
| Irving Trust | 240 | 40 | 200 | 0 | NA | NA | NA |
| Citicorp Investment Mgmt. | 225 | 225 | 0 | 0 | 132 | 84 | 0 |
| MacKay-Shields Financial | 215 | 0 | 215 | 0 | 100 | 0 | 100 |
| Metropolitan Life | 194 | 194 | 0 | 0 | 201 | 84 | 0 |
| National Bank of Detroit | 130 | 130 | 0 | 0 | 113 | 113 | 0 |
| Travelers Investment Mgmt. | 117 | 117 | 0 | 0 | NA | NA | NA |
| Griffin Group | 81 | 0 | 81 | 0 | 81 | 0 | 81 |
| Seafirst Bank | 70 | 0 | 70 | 0 | 60 | 0 | 60 |
| Bank of New York | 48 | 0 | 48 | 0 | 48 | 0 | 48 |
| Gateway Investment | 47 | 47 | 0 | 0 | 38 | 38 | 0 |
| Mercantile Trust | 30 | 30 | 0 | 0 | 30 | 30 | 0 |
| Brown Brothers Harriman | 28 | 0 | 28 | 0 | 320 | 0 | 320 |
| C&S Investment Advisors | 15 | 15 | 0 | 0 | 13 | 11 | 0 |
| First Asset Mgmt. | 5 | 5 | 0 | 0 | 3 | 3 | 0 |
| TOTAL | 152,617 | 102,339 | 30,355 | 3,248 | 124,958 | 101,467 | 19,607 |

* Includes indexing other than pure equity or fixed-income
** Formerly Great American Core Investors
Source: *Pensions & Investment Age*

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Pensions & Investment Age

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Special Profiles Issue
January 26, 1987
$10 an issue

# Top 1,000 Pension Funds

An in-depth look at the largest 200

# Unisys prepares to hire advisers for $700 million

By Marcia Parker

DETROIT — Executives of Unisys Corp., the company born from the merger of Burroughs Corp. and Sperry Corp., are about to hire new managers for about $700 million in pension assets previously managed by Sperry's soon-to-be-defunct in-house money management group.

The decision, expected by the end of January, is the first priority for Unisys' pension executives as they combine the highly divergent Burroughs and Sperry funds.

Together, the Sperry and Burroughs employee benefit plans had $3.9 billion in assets as of Sept. 30.

The merger of the funds is expected to be completed by the end of 1987. David A. White, corporate director-capital management and trust investments, will be designing and implementing the merger, fashioning a new investment philosophy and strategy that will be quite different from those of the individual plans.

Mr. White, who was Burroughs' director-trust investments since 1983, was just appointed head of the combined funds. He is responsible for all the funded benefit plans of Unisys and all of its worldwide subsidiaries. Two people he had worked with have been retained and the rest of his staff is still being assembled.

Burroughs acquired Sperry last fall and the newly merged company adopted the name Unisys. For now, the funds are being run separately. The merger agreement doesn't preclude Unisys from terminating the pension plans, but the recaptured assets can only be used to pay benefits under the agreement.

Mr. White declined to discuss surplus assets, liabilities or termination value, saying the figures still are being calculated.

In the merger of the funds, he said, "What's most important is

UNISYS

the question of what kind of investment program will fit the new Unisys. That's what I'm looking at. Unisys is a very different company from Burroughs and Sperry separately."

Mr. White said he is in the early stages of drafting the "grand plan" for merging the two pension funds. Burroughs' investment consultant, Rogers, Casey & Barksdale Inc., Stamford, Conn., has been retained for the combined funds. The specific role of the firm hasn't been decided.

He said he had to deal immediately with the $1 billion that had been managed in-house by Sperry Capital Management Co., New York, because the group is being disbanded, more by default than executive order.

*David White, architect of Unisys' new plan, is looking to hire managers.*

Thomas V. Hirschberg, chairman of Sperry Capital Management, is retiring in February. The other two key professionals have taken new jobs -- Jim Price, who was chief trader at Sperry, now is vice president-regional institutional desk at Prudential-Bache Securities, New York; and Eric Leo, who was portfolio manager, now is a portfolio manager at Equitable Investment Management Corp., New York.

Of the $1 billion that Sperry ran in-house, $300 million was in an equity index fund with Mr. Hirschberg and Chase Manhattan Bank, New York, as co-trustees. That money has been allocated to Chase, at least for now.

But Mr. White stressed the money could be reallocated later when the new investment plan is implemented.

The other $700 million is still to be awarded. The money was invested mostly in stocks and bonds, with smaller amounts in short-term instruments and ven-

*Continued on page 92*

# Settlement off?

## A&P faces vesting for 40,000

By Richard Gillespie

PHILADELPHIA — A federal appeals court here has ordered the Great Atlantic & Pacific Tea Co. to reopen the 3-year-old settlement of its $315 million in surplus pension plan assets.

The opinion by the 3rd U.S. Circuit Court of Appeals raises the possibility A&P will have to vest as many as 40,000 former employees and pay benefits from a surplus it already booked on its balance sheet. As yet, there are no estimates on how much the ultimate cost could be.

The case will be opened again in U.S. District Court in Newark, N.J., where it first was heard.

The out-of-court settlement, which was approved by an appeals court in 1984, resolved the disposition of $315 million in surplus assets.

Under the settlement, retirees and former plan participants received $50 million in benefit increases while the company got $265 million.

Although it received the blessing of the court, the settlement did not account for claims lodged by a class representing about 47,000 former employees who were laid off as a result of the company closing its operations and shutting stores during the 1960s and 1970s.

In a 22-years beginning in 1962, membership of its pension plan shrank to just 7,700 from 57,000 through store closures and layoffs.

After the settlement was approved, seven former employees who never were vested filed a complaint as the "Epting class." That complaint's dismissal led to the appeal.

Under Section 411 of the Internal Revenue Code, a "partial plan termination" occurs where "a substantial percentage of plan participants are involuntarily separated from plan coverage." If a partial termination occurs and the plan assets are sufficient to fund such otherwise non-vested benefits, affected employees obtain vested rights to their accrued pension benefits.

As a general guideline, the IRS' states a partial termination occurs if a participant turnover of 20% occurs and the participants are not fully vested. "There is a strong possibility that a partial termination has occurred in any year in which participant turnover exceeds 50% prior to the date of termination," an IRS guide states.

The complaint brought against the parties to the settlement and the IRS by the Epting class alleged a "partial termination" had taken place.

As a result, the other 47,000 former employees of the supermarket chain who were members of the plan also were entitled to fully vested benefits, the group claimed.

But in such cases, according to the revenue code, the local IRS office is required to make a determination whether those employees should be vested under the partial termination rule.

According to lawyers for the Epting class, the partial termination occurred, but the local IRS office did not issue a determination.

The absence of such a determination generally is held to mean no partial termination has taken place. The U.S. District Court stayed approval of the settlement pending word from the IRS, but approval was granted when word was not received.

The Epting complaint also alleged breach of fiduciary duty by the A&P trustees.

During the appeal, the defendants sought a dismissal claiming no partial termination took place. But according to lawyers for the company, even if a partial termination had occurred, the defendants owed no fiduciary duty to the Epting class.

In sending the case back to District Court, the appellate court ruled U.S. District Judge Frederick B. Lacey failed to rule on key elements regarding the Epting class complaint. It said he also refused to order the IRS to issue a determination because a representative of the IRS had said the agency "stands ready to receive any information presented to it by the parties or their counsel."

The appellate court described the lower court opinion as "rather enigmatic . . . (It) appears that the district court did not intend to dismiss the (Epting class) complaint."

But even beyond the question of whether a termination took place for tax purposes, a termination may have taken place for purposes of the Employee Retirement Income Security Act, according to the opinion:

"(F)actors that remain undecided pending completion of the IRS investigation militate strongly in favor of the conclusion that the order is not final. We are . . . confirmed in our belief that the district court did not intend to end the Epting case.

"We believe . . . that the court did not intend the dismissal to take effect now, and therefore the dismissal is not a final order. The Epting case remains alive meanwhile."■

# Cash reserves hit '86 high

By Fred Williams

Cash reserves of equity money managers increased to 7.3% as of Dec. 31, the highest level of 1986, according to the INDATA investment analysis service, Southport, Conn.

The 7.3% equity cash position at the end of 1986 compares with 6.9% at the end of 1985 and 7.4% at the end of 1984. The cash position was 6.5% Sept. 30, 1986.

Of the nine money managers contacted by *Pensions & Investment Age*, three increased equity cash and four reduced cash while two managers remained at the same level for the quarter.

While equity cash as measured by the INDATA service was at its year high at the end of the fourth quarter, a strong equity market during the first half of January pulled more cash into the market.

The record high cash position measured by INDATA was 16.8% in August 1982; the low was 5.4% in September 1976.

No matter what their cash position, most of the managers interviewed believe the bull market will continue through 1987 after a correction sometime in the first half.

Cash reserves at Hibernia National Bank, New Orleans, stood at 10% at the end of the year, down from 10% to 15% at the end of the third quarter, said Robert Rust, vice president and trust investment officer. For Hibernia, that position is fully invested.

"We were waiting for the market to go down (because) there was a lot of bad economic news there in the third quarter. We just couldn't get the market down. That and our belief that interest rates wouldn't be much higher, we thought the market was telling us something and decided to ease in. Since then, though, we have become fully invested," said Mr. Rust.

"This market is overpowered by cash. There is more cash out there than people thought was there, or that people were letting on."

Hibernia has $750 million in tax-exempt equity assets under management.

Alliance Capital Management Corp., New York, maintained a

*Continued on page 92*

**P&I Age December indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | -2.56 | 18.69 | 18.69 |
| Russell 3000 | -2.7 | 16.7 | 16.7 |
| Ryan Index | .04 | 17.21 | 17.21 |
| Shearson Lehman Gov't./Corp. | .36 | 15.59 | 15.59 |

Source: Rogers, Casey and Barksdale Inc.

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

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# Profiles: The top 200

## Benefit payments top contributions

By Chuck Paustian

Benefits paid to retirees outpaced employer contributions almost two-to-one among large corporate pension funds in 1986, primarily the result of early retirement programs, accounting changes and strong investment performance.

Data collected by *Pensions & Investment Age* show benefit payments for 52 large corporate funds increased 23% to about $9.62 billion in 1986, from $7.81 billion the previous year. In contrast, employer contributions dropped 33% to about $5.3 billion in 1986, from $7.93 billion in 1985.

(The 52 funds provided payment and contribution data both years.)

Pension executives and actuarial consultants most often cited early retirement programs, usually used as part of a corporate streamlining of operations, as the reason for an increase in benefits paid to retirees.

Employer contributions, on the other hand, continued to decline as a result of accounting changes for pension funds and strong investment performance.

While benefit payments rose 23% in the aggregate, a number of companies reported much higher increases.

W. Allen Harrison, assistant treasurer at Exxon Corp., New York, said an early retirement program implemented as part of an operational restructuring during the summer was the reason behind its 161% increase in benefit payments during 1986. Exxon has $7.55 billion in employee benefit assets.

Many of Exxon's 7,000 domestic employees that opted for early retirement also chose to receive their settlement in a lump sum payment.

An executive of another oil company, who asked not to be identified, said two early retirement programs implemented in 1986 were responsible for benefit payments increasing 233% to $200 million.

Monsanto Co., St. Louis, with $3.28 billion in total employee benefit assets, showed a 66% increase in benefits paid to retirees in 1986, "essentially due to early retirement programs that were put into place last year," said William N. Searcy, manager-pension asset management.

Mr. Searcy said the early retirement programs were established in conjunction with a corporate restructuring of operations.

"This is all part of the downsizing of the layers of management within companies. You see this in some of the hourly areas as well," said Larry Wiltse, consulting actuary and director of forecasting and planning services at Buck Consultants Inc., New York.

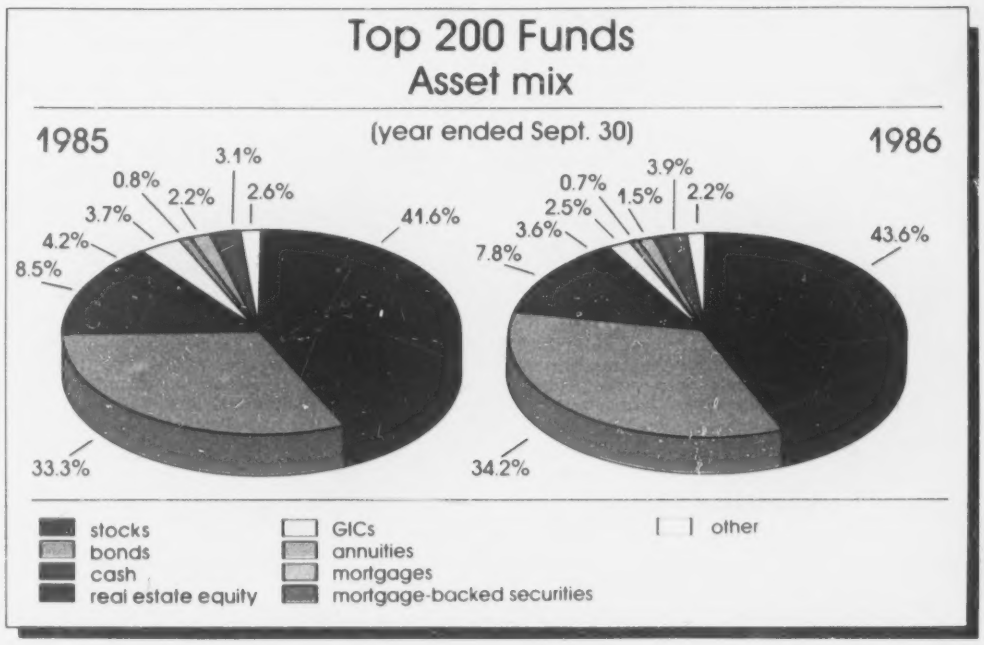
"Based on my own experience, there has been an abnormally high number of special retirement programs," added Julie S. Gordon, an actuarial consultant at Hewitt Associates, Lincolnshire, Ill.

Other actuarial consultants said a maturing work force and the addition of retired lives in the plan through mergers and acquisitions also were responsible for increases in benefit payments.

But many of these same funds have seen employer contributions shrink dramatically.

Some companies were able to reduce contributions through the early adoption of the Financial

*Continued on page 77*




## Corporate funds drop off list

### Mergers, terminations change makeup of top 200

By Marcia Parker

The continuing wave of mergers and terminations of overfunded pension plans sweeping corporate America largely accounted for both the dropouts and the newcomers to *Pensions & Investment Age*'s ranking of the 200 largest U.S. employee benefit funds.

Also playing a large role in the positioning was the reduction in contributions by many overfunded corporate funds while public and union funds still were receiving large amounts of assets.

Twelve funds dropped out of the top 200, all of which were corporate. They were replaced by five corporate, four public and three union funds.

Three funds disappeared from the survey because of acquisitions: RCA Corp., New York, was purchased by General Electric Corp., Stamford, Conn; Sperry Corp., Blue Bell, Pa., was bought by Burroughs Corp., Detroit; and Getty Oil Co., Los Angeles, was acquired by Texaco Inc., White Plains, N.Y.

In Texaco's case, even though it remained among the top 200, it slipped to 114 from 103, despite the addition of Getty's assets. That's because the company completed a spinoff/termination of the Getty plan in January 1986, recapturing $350 million and purchasing $410 million in non-participating annuities.

(In a spinoff/termination, a company splits the fund in two: one for retirees and the other for active employees. The excess assets are placed in the fund for retirees, which is then terminated. Annuities are purchased to cover the retired lives and the company recoups the surplus.)

The company also offered a lump-sum retirement package, which many employees used. Those factors combined to reduce the amount of Texaco/Getty assets to $2.22 billion.

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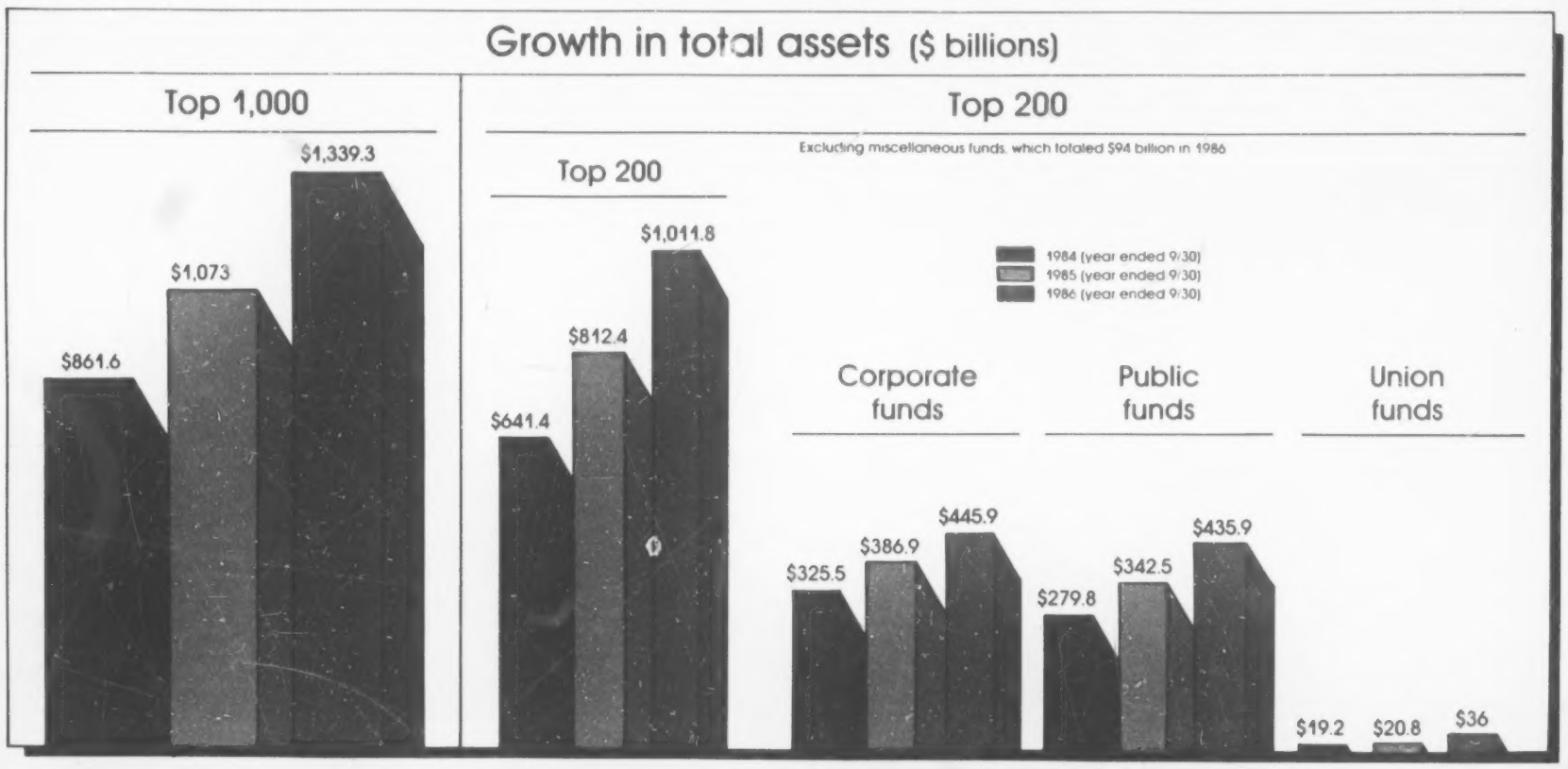

# Indexing skyrockets

## Used for 30.08% of stock, 4.86% of bond assets

By Brian Lehrer

About 15% of the $831.1 billion in defined benefit assets held by the nation's 200 largest pension funds is managed in stock and bond index funds, statistics from *Pensions & Investment Age* reveal.

Of the approximately $362 billion allocated to stocks by the top 200, 30.08% is indexed; of the approximately $284 billion allocated to bonds by those pension funds, 4.86% is indexed.

During the year ended Sept. 30, the use of stock and bond indexing among the nation's 200 largest pension funds soared, as pension fund executives welcomed opportunities to match the markets' returns and to lay foundations for portfolio cores.

Stock indexing rose 44% during the 12 months ended Sept. 30, to $108.9 billion from $75.62 billion, while bond indexing rose 33.9%, to $13.8 billion from $10.31 billion.

(Money managers, on the other hand, reported $102.34 billion in stock indexing in the Jan. 12 issue of *Pensions & Investment Age*. The top 200 pension funds have more assets indexed because some have internally managed index funds.)

The $19.36 billion California State Teachers' Retirement System, Sacramento, increased its equity indexing by 212%. The fund has $6.88 billion — or 72% of its equity assets — in indexed stocks, mostly tracking the Standard & Poor's 500 stock index. Wells Fargo Investment Advisors, San Francisco, is running the indexed assets.

"We made the decision last year to index," said Larry Kurmel, chief executive officer. "One reason is that active managers can't beat the markets. It's also cheaper."

Mr. Kurmel said the fund will probably enter the international stock index market by the third quarter.

The $22.9 billion General Electric Co. fund, Stamford, Conn., buoyed the amount in indexed equities by $1 billion, or 62.5%, during the 12 months ended Sept. 30. The $2.6 billion internally managed indexed fund comprises one-third of its stock investments.

"It forms the core of our equity portfolio that we're assured of getting the market return," said Eugene Bolton, vice president and portfolio manager. "Around that we can structure our active management."

Mr. Bolton said the fund hasn't considered customized (or enhanced) funds yet, but officials are looking at international indexing.

The $2.6 billion United Air Lines Inc. fund, Chicago, made its first foray into indexing this year by putting $700 million in an S&P 500 fund.

Dave Dykstra, director of pension assets, said there are no plans to venture into customized or international funds at this point.

Although stock indexing has been in vogue for years, and there are signs the traditional S&P 500 variety may have peaked (*P&I Age*, Jan. 12), bond indexing is just beginning to surge.

As of Sept. 30, 1985, only 18 of *P&I Age*'s largest 200 pension funds used bond indexing, vs. 32 as of Sept. 30, 1986.

One of the newcomers is the $7.55 billion Exxon Corp. fund, New York, which channeled its first $233 million into the Salomon Brothers Broad Investment Grade and the Shearson Lehman Aggregate bond indexes.

In addition, Exxon manages an in-house customized bond fund.

"We felt investment performances were not as good as we expected in certain cases," said W. Allen Harrison, assistant treasurer, explaining Exxon's move into indexing.

Mr. Harrison said fund officials will "play it by ear," but probably will put a "fair emphasis" on bond indexing in the coming year.

While indexing is touted, not all pension funds are so enamored.

"We just philosophically made the decision not to index," said one official at RJR Nabisco Inc., Winston-Salem, N.C., which terminated a $72 million stock portfolio.

In addition to RJR Nabisco, Unisys Corp., Detroit, and Philip Morris Inc., New York, got out of stock indexing. The Pennsylvania Public School Employes' Retirement System, Harrisburg, Pa., and Unisys got out of bond indexing during the 12 months ended Sept. 30.

Although indexing is burgeoning, pension fund executives have not forsaken their active managers.

"It's just another style that complements your active management," said Joseph C. Pellegrino, director of pension investments for the Aluminum Co. of America, Pittsburgh. The $2.5 billion fund has $130 million in the Shearson Lehman Government/Corporate bond index, he said.

California's Mr. Kurmel said the fund will use its managers to "cushion the downside market."

"We still have faith in our active managers," he said. ■

## Profile statistics at a glance

($ billions)

| | 1986 | 1985 |
|---|---|---|
| Top 1,000 assets | 1,339.3 | 1,073 |
| Top 200 assets | 1,011.8 | 812.4 |
| Top 100 assets | 845.7 | 675.6 |
| Top 50 assets | 660.1 | 523.7 |
| Top 25 assets | 479.3 | 377.6 |
| Top 200 defined benefit | 831.1 | 648.5 |
| Top 200 defined contribution | 92.2 | 75.9 |
| Top 200 profit-sharing | 17.4 | 12.8 |
| Top 200 thrift/401(k) | 58.1 | 48.1 |

### Top 200 fund statistics

($ billions)

| | 1986 | 1985 |
|---|---|---|
| Internal mgmt | 411.9 | 339.1 |
| Stock index funds | 108.9 | 75.6 |
| Bond index funds | 13.8 | 10.3 |
| Real estate equity | 26.2 | 23.3 |
| Mortgages | 30.3 | 36.8 |
| Mortgage-backed securities | 50.5 | 30.8 |
| GICs | 10.5 | 12 |
| Overseas | 24.5 | 11.7 |
| Venture capital | 3.3 | 2.6 |
| Dedication/immunization | 29.4 | 23 |
| Oil & gas | 0.8 | 0.6 |
| LBOs | 2.8 | NA |
| Contribution paid | 40.3 | 42.4 |
| Benefits paid | 36.9 | 31.1 |
| Portfolio insurance | 8.6 | NA |

### Number of top 200 funds using alternative investments

| | 1986 | 1985 |
|---|---|---|
| Internal mgmt | 121 | 117 |
| Stock index funds | 100 | 77 |
| Bond index funds | 32 | 18 |
| Real estate equity | 130 | 121 |
| Mortgages | 63 | 70 |
| Mortgage-backed securities | 98 | 67 |
| GICs | 62 | 62 |
| Overseas | 93 | 78 |
| Venture capital | 75 | 63 |
| Dedication/immunization | 37 | 42 |
| Oil & gas | 22 | 17 |
| LBOs | 26 | NA |
| Stock index futures | 63 | 45 |
| Fixed-income futures | 46 | 38 |
| Stock options | 62 | 49 |
| Fixed-income options | 22 | 18 |
| Portfolio insurance | 19 | NA |

# Dedications fall with rates

By Joel Chernoff

Creation of new dedicated and immunized bond portfolios by the nation's top 200 pension funds slowed to a crawl in 1986 as lower interest rates made the portfolios less alluring.

What's more, pension fund executives are doubtful they'll be setting up new dedicated or immunized portfolios in the foreseeable future.

"Rates are just not as attractive," said Jack Miller, director-investments, of Indianapolis-based Eli Lilly & Co.'s $1.43 billion pension fund. The average yield-to-maturity dropped to 7.8% as of Sept. 30, 1986, from 10.1% the year before, according to the Shearson Lehman Government/Corporate bond index.

The value of previously existing portfolios climbed 22% to $28.1 billion as of Sept. 30, from $23 billion 12 months earlier, boosted by sharply declining interest rates. But the value of pension liabilities to which the assets were matched generally rise by a similar amount, pension fund executives said.

The 22% hike is net of payments to cover benefits for retirees, suggesting the gross return was significantly higher.

Dedicated and immunized portfolios gained popularity in the early 1980s because pension funds were able to lock in high interest rates.

Basically, a dedicated bond portfolio involves matching cash flows from bonds with those of a known set of liabilities, usually those for retirees. Immunization, a form of dedication, involves matching the duration of a bond portfolio (the time it takes to recover half the present value of a bond portfolio) against the duration of liabilities to protect against interest-rate fluctuations.

The locked-in high interest rates enabled pension funds to raise their interest rate assumptions, thus lowering pension expense and contributions.

Data drawn from *Pensions & Investment Age*'s annual survey of the top 200 pension funds gives a rough gauge of trends in the dedicated and immunized bond area.

(Certain inconsistencies in the data exist. Several funds, including North American Philips Corp., New York, and Eaton Corp., Cleveland, dropped from the list because they no longer were large enough to be included in the top 200, while others, such as Eli Lilly and National Intergroup Inc., Pittsburgh, were added because of their increased relative size.

(In addition, a few funds listed last year with dedicated or immunized portfolios were merged into other companies. Inconsistencies in data provided by some corporations also accounted for some problems in measuring year-to-year changes.)

While several pension executives said they would not be interested in establishing new dedicated or immunized portfolios in today's lower interest rate environment, they said their current portfolios did their job.

Southwestern Bell Corp.'s $6.2 billion pension fund started a $1.1 billion dedicated bond portfolio in summer of 1985 to lock in a 12.21% interest rate, said Roger Wohlert, assistant treasurer-corporate finance for the St. Louis-based company.

The bond portfolio was part of a larger effort to change the fund's actuarial assumptions, which taken together, reduced pension expense by more than $60 million a year, he said.

The portfolio, which was valued at $1.42 billion as of Sept. 30, has been rebalanced several times to prevent having callable issues, Mr. Wohlert explained.

Rebalancing has not caused a problem because the portfolio's managers — Jennison Associates Capital Corp., Boston, and Mercantile Trust Co., St. Louis — have sold off vulnerable issues far enough in advance of the market discounting their value, he said.

The fund with the largest amount of dedicated assets, the $7.57 billion Western Conference of Teamsters Pension Trust, Seattle, also caught interest rates before their recent decline, establishing the third in a series of dedicated portfolios between late 1985 and early 1986. The fund's first dedication was done in 1982.

The most recent dedication, plus strong market gains, boosted the amount of Teamsters assets invested in such portfolios to $4.5 billion, up 76.5% from $2.55 billion the year before.

By allowing actuarial assump-

*Continued on page 74*

# *Internal assets grow 21.4% during period*

By Fred Williams

Assets managed internally by the nation's largest pension funds grew 21.4% during the year ended Sept. 30, to $411.9 billion from $339.1 billion in 1985.

As of Sept. 30, 121 funds reported internally managed assets, compared with 117 last year.

Although precise breakouts weren't available, it appeared internal managers took advantage of the bull stock market, moving more assets into equities and holding steady on, or even decreasing, their internal fixed-income allocations.

As a percentage of the total employee benefit assets of the top 200, internally managed pension assets dropped to 40.7% from 41.7% a year earlier.

The Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York, topped the list of funds with internal management, reporting all of its assets — $52.3 billion — under in-house control as of Sept. 30, up 30.8% from $40 billion a year earlier.

As in previous years, public pension funds dominated the list, taking eight of the top 10 spots.

The only corporate fund among the top 10 was General Electric Co., with $18.8 billion managed in-house. That amount makes up the Stamford, Conn., company's entire defined benefit plan.

Of the top 20, only three other corporate funds joined GE: E.I. du Pont de Nemours & Co. Inc., Wilmington, Del., with $9.97 billion of its total $12.218 billion in employee benefit assets managed in-house; USX Corp., Pittsburgh, with $9 billion internally, all of its defined benefit assets; and IBM, with $5.9 billion of its $16.64 billion defined benefit plan managed in-house.

Most of the funds on the list this year also were there last year, although rankings changed.

Newcomers include the Pension Reserves Investment Trust, Boston; U S WEST Inc., Englewood Calif.; and the Chicago Employees Annuity & Benefit Fund.

PRIT, which only received its first allocation in 1984 and was not included in previous surveys, ranked reported $54 million of its

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# Growing 'baby Bells' follow separate paths

By Barry B. Burr

In asset size, growth and new investments, the seven Bell operating companies comprised the most prominent group of defined benefit pension funds last year.

In total assets for all employee benefit plans, the baby Bells had an aggregate $62.9 billion as of Sept. 30, up 27.5% from $49.34 billion a year earlier. In defined benefit assets alone, the seven had $54.88 billion as of Sept. 30, up 26.3% from the $43.47 billion a year earlier.

NYNEX Corp., New York, had the largest of the defined benefit funds among the Bells, with $10.09 billion, while Southwestern Bell Corp., St. Louis, had the smallest, with $5.47 billion, although its figures were of June 30, while the other funds reported Sept. 30 data.

San Francisco-based Pacific Telesis Group's defined benefit fund grew the fastest in the year ended Sept. 30, up 34.2% to $7.6 billion. Philadelphia-based Bell Atlantic Corp.'s fund grew the slowest, up 21.4% to $8.5 billion.

The baby Bells — all spun off in the divestiture of American Telephone & Telegraph Co., New York, several years ago — are hardly united in their pension fund investment approach. And they don't compare themselves to their sibling companies.

Said Roger Wohlert, Southwestern Bell's assistant treasurer-corporate finance: "We don't look at the other regionals . . . I don't have access to their figures. We are all moving in different directions. There are other large pension funds out there we could just as well compare ourselves to."

The year ended Sept. 30 was an active year for the seven Bell operating companies:

- American Information Technologies Corp., Chicago, and Pacific Telesis are moving into internal management. Ameritech plans to run $1 billion in-house, while PacTel is managing $280 million internally. The two are the only Bell funds to run assets in-house, except for some venture capital holdings by U S WEST Inc., Englewood, Colo.
- U S WEST increased its commitment to oil and gas to $50 million and hired a manager to run short-term investments, the only baby Bell with such a manager.
- NYNEX and Southwestern Bell both moved into international and equity real estate investments for the first time, joining at least four other Bell funds in both asset classes.

Some notable similarities and differences appear in strategy:

- Investing passively is a major theme of at least five Bell funds.
- Ameritech, alone among the Bells, devotes a larger share of its assets to fixed income than to equities. It has only 46% in stocks, compared with a range of 65% to 58% for other Bell companies.
- PacTel had the largest allocation to international investments — 15%, or $1.14 billion, of its total $7.6 billion pension fund, as of Sept 30. Ameritech had $950 million about evenly divided between equities and fixed income and U S West had $570 million, mostly in equities.

The Bells' pension funds undertook major investment initiatives during the year ended Sept. 30.

Ameritech, for example, swung its asset allocation to favor fixed income over equities, pulling $500 million from its stock managers to fund the program.

Ameritech officials placed a bond index fund temporarily with National Investment Services of America Inc., Milwaukee, although it plans to move it to Lincoln Capital Management Co., Chicago.

Ameritech also is setting up a $1 billion in-house Standard & Poor's 500 stock index fund. Ameritech had about $500 million in-house in December and expects to fund the other half of the stock index portfolio earlier this year. The money for the in-house fund also came from equity managers.

In another big change, Ameritech's international investments increased 121% in the year ended Sept. 30. Glenn A. Dever, Ameritech Supervisor-investment analysis, attributed the rise to performance rather than more funding. He said Ameritech has no plans to make any additional funding in international in 1987.

NYNEX moved into international investments for the first time, according to sources. In addition, NYNEX made its first move into real estate outside its Telephone Real Estate Equity Trust holdings, inherited in the breakup of American Telephone & Telegraph Co.'s pension fund.

Southwestern Bell made its first commitments to real estate equity outside its TREET holdings and to venture capital.

In addition, it began a securities lending program with Republic-Bank Dallas, its master trustee.

The new investment programs came after Southwestern Bell closed 1985 with two major initiatives — initial international investments and a dedicated bond portfolio.

U S WEST raised its international investments more than tenfold and increased its venture capital commitment more than 300%.

In addition, its real estate equity investments rose to $530 million from $215 million in the 15 months from Sept. 30, 1985. That increase includes a recent $240 million real estate development in Jersey City, N.J., in which U S WEST will provide $100 million in equity, assume a $60 million loan and seek $80 million in additional loans for the rest of the financing.

Also, U S WEST nearly doubled its dedicated bond portfolio to $2.026 billion from $1 billion in

*Continued on page 77*

## Southwestern ready for '87

By Barry B. Burr

ST. LOUIS — In 1987, Roger Wohlert, Southwestern Bell Corp.'s assistant treasurer-corporate finance, expects to look at commingled real estate funds for the $5.47 billion defined benefit pension fund.

In addition, he said the fund, which already has a third of its assets in indexed stocks, plans to look at other passive products, especially those index strategies targeted to capture particular segments of the market.

In another area, he said he has discussed performance fees with all managers, but hasn't adopted the compensation method yet, cautioning against undesired risks.

"We're cognizant of the dangers of setting up an incentive structure that might encourage managers to take excessive short-term risks," Mr. Wohlert said. "We haven't come up with a formula that works."

On the practice of paying for services by channeling stock trading commissions to specific brokers, he said, "We're using soft dollars to a small degree. It's on a voluntary basis with managers, and only with brokers the managers are dealing with anyway. We don't insist managers meet a quota. Best execution can be the only criterion for doing a transaction."

As long as execution isn't harmed, he said, "it can save the fund from paying a fee on services," from using "money that would be paid out of the fund."

Its consultant, Buck Pension Fund Services Inc., New York, is paid with soft dollars. In all, he said, less than 10% of the fund's fees are paid in soft dollars.

Also, the fund is considering lending securities in the international arena — an area sorely needing such services, he said.

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## Top 200 asset mix

### Corporate

| | 1986 % | 1985 % |
|---|---|---|
| Stocks | 50.1 | 48.5 |
| Bonds | 27.7 | 25.6 |
| Cash | 7.9 | 8.1 |
| Real estate equity | 4.5 | 5.3 |
| GICs | 3.4 | 5.4 |
| Annuities | 1.3 | 1.2 |
| Mortgages | 0.5 | 1 |
| Mortgage-backed securities | 1 | 1 |
| Other* | 3.6 | 3.9 |

### Public

| | 1986 % | 1985 % |
|---|---|---|
| Stocks | 33.4 | 30.1 |
| Bonds | 44.2 | 46.5 |
| Cash | 7.8 | 8.9 |
| Real estate equity | 2.3 | 2.5 |
| GICs | 0.4 | 0.3 |
| Annuities | 0 | 0.3 |
| Mortgages | 2.9 | 3.8 |
| Mortgage-backed securities | 8.3 | 6.5 |
| Other* | 0.7 | 1.1 |

### Union

| | 1986 % | 1985 % |
|---|---|---|
| Stocks | 36.1 | 36.9 |
| Bonds | 39.2 | 32.7 |
| Cash | 7.9 | 12.6 |
| Real estate equity | 3.9 | 3.7 |
| GICs | 2.9 | 5.5 |
| Annuities | 0 | NA |
| Mortgages | 1.6 | 2.2 |
| Mortgage-backed securities | 4 | 4.2 |
| Other* | 4.4 | 2.2 |

* Other includes venture capital, oil and gas and misc. investments.

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| GICs | 72 |
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## Bottom 800 asset mix

### Corporate

| | 1986 % | 1985 % |
|---|---|---|
| Stocks | 49.9 | 47.7 |
| Bonds | 25.8 | 20.2 |
| Cash | 10 | 9.7 |
| Real estate equity | 3.8 | 3.8 |
| GICs | 5.1 | 12.7 |
| Mortgage-backed securities | 0.7 | * |
| International | 2.5 | 1.3 |
| Options | 0.1 | * |
| Futures | 0.2 | * |
| Venture capital | 0.4 | * |
| Oil & gas | 0.1 | * |
| Other* | 1.4 | 4.6 |

### Public

| | 1986 % | 1985 % |
|---|---|---|
| Stocks | 37.4 | 36.1 |
| Bonds | 38 | 40.7 |
| Cash | 11.2 | 12.4 |
| Real estate equity | 3.6 | 3.5 |
| GICs | 1.2 | 2.3 |
| Mortgage-backed securities | 3.7 | * |
| International | 0.4 | NA |
| Options | 0.1 | * |
| Futures | 0 | * |
| Venture capital | 0.2 | * |
| Oil & gas | 0 | * |
| Other* | 4.2 | 5 |

### Union

| | 1986 % | 1985 % |
|---|---|---|
| Stocks | 29.5 | 26 |
| Bonds | 37.6 | 39.7 |
| Cash | 10.3 | 10.6 |
| Real estate equity | 4 | 3.1 |
| GICs | 5.7 | 6.2 |
| Mortgage-backed securities | 7.1 | * |
| International | 0.4 | 0.1 |
| Options | 0.2 | * |
| Futures | 0 | * |
| Venture capital | 0.2 | * |
| Oil & gas | 0 | * |
| Other* | 5 | 14.3 |

* Other includes mortgages and annuities. In 1985 it also included mortgage-backed securities, options, futures, venture capital and oil and gas.

# Top 200 pension funds/sponsors

## Assets in $ millions

| | | |
|---|---|---|
| 1. | TIAA-CREF | 52,300 |
| 2. | California Public Employees | 37,700 |
| 3. | General Motors Corp. | 32,900 |
| 4. | New York State Common Fund | 31,533 |
| 5. | N.Y.C. Retirement Systems | 30,839 |
| 6. | AT&T Co. | 30,340 |
| 7. | General Electric Co. | 22,891 |
| 8. | New York State Teachers | 20,235 |
| 9. | California State Teachers | 19,361 |
| 10. | IBM Corp. | 18,191 |
| 11. | N.J. Division of Investment | 16,901 |
| 12. | Ford Motor Co. | 14,600 |
| 13. | Michigan State Employees | 13,580 |
| 14. | Ohio Public Employees | 13,567 |
| 15. | Wisconsin Investment Board | 13,500 |
| 16. | Texas Teachers | 13,198 |
| 17. | Ohio Teachers Retirement System | 12,484 |
| 18. | E.I. du Pont de Nemours & Co. | 12,218 |
| 19. | NYNEX Corp. | 11,962 |
| 20. | Florida Board of Administration | 11,544 |
| 21. | Ameritech | 10,478 |
| 22. | Pennsylvania School Employes | 10,078 |
| 23. | North Carolina Retirement | 10,003 |
| 24. | Bell Atlantic Corp. | 9,500 |
| 25. | USX Corp. | 9,400 |
| 26. | GTE Corp. | 8,962 |
| 27. | BellSouth Corp. | 8,750 |
| 28. | Minnesota State Board | 8,658 |
| 29. | Pacific Telesis Group | 8,500 |
| 30. | Georgia State Retirement Systems | 8,382 |
| 31. | University of California | 8,378 |
| 32. | Washington Investment Board | 8,100 |
| 33. | Teamsters Western Conference | 7,571 |
| 34. | Exxon Corp. | 7,550 |
| 35. | U S WEST Inc. | 7,350 |
| 36. | Los Angeles County | 7,293 |
| 37. | Boeing Co. | 7,200 |
| 38. | Teamsters Central States | 7,070 |
| 39. | Sears Roebuck & Co. | 6,784 |
| 40. | Maryland State Retirement | 6,778 |
| 41. | Pennsylvania State Employees | 6,730 |
| 42. | Eastman Kodak Co. | 6,631 |
| 43. | Allied-Signal Inc. | 6,600 |
| 44. | Oregon Public Employes | 6,522 |
| 45. | Colorado Public Employees | 6,322 |
| 46. | Virginia Retirement System | 6,296 |
| 47. | Southwestern Bell Corp. | 6,208 |
| 48. | United Technologies Corp. | 6,108 |
| 49. | Lockheed Corp. | 6,085 |
| 50. | Rockwell International | 5,986 |
| 51. | Illinois Teachers | 5,952 |
| 52. | Chevron Corp. | 5,898 |
| 53. | United Nations | 5,884 |
| 54. | Shell Oil Co. | 5,811 |
| 55. | McDonnell Douglas Corp. | 5,735 |
| 56. | Arizona State Retirement System | 5,507 |
| 57. | Alabama Retirement Systems | 5,454 |
| 58. | Tennessee Consolidated | 5,340 |
| 59. | Aluminum Co. of America | 5,000 |
| 60. | South Carolina Retirement System | 4,996 |
| 61. | Connecticut Trust Funds | 4,819 |
| 62. | Westinghouse Electric Corp. | 4,800 |
| 63. | Prudential Insurance Co. | 4,507 |
| 64. | Texas Employees Retirement | 4,310 |
| 65. | Hughes Aircraft Co. | 4,300 |
| 66. | UMWA Health & Retirement | 4,223 |
| 67. | Amoco Corp. | 4,179 |
| 68. | Mobil Oil Corp. | 3,930 |
| 69. | General Dynamics Corp. | 3,900 |
| 70. | Unisys Corp. | 3,890 |
| 71. | Caterpillar Inc. | 3,617 |
| 72. | Massachusetts State Employees | 3,475 |
| 73. | Iowa Public Employees | 3,341 |
| 74. | Monsanto | 3,280 |
| 75. | Missouri School Retirement | 3,278 |
| 76. | Pacific Gas & Electric Co. | 3,275 |
| 77. | Chrysler Corp. | 3,260 |
| 78. | Union Carbide Corp. | 3,200 |
| 79. | RJR Nabisco | 3,164 |
| 80. | Hawaii State Employees | 3,009 |
| 81. | Procter & Gamble Co. | 2,984 |
| 82. | Illinois Municipal Retirement Fund | 2,980 |
| 83. | Bethlehem Steel Corp. | 2,913 |
| 84. | American Airlines | 2,892 |
| 85. | Alaska State Retirement Systems | 2,857 |
| 86. | Metropolitan Life Insurance Co. | 2,828 |
| 87. | Kansas Public Employees | 2,773 |
| 88. | Detroit Retirement Systems | 2,742 |
| 89. | San Francisco Employees | 2,723 |
| 90. | Mississippi Public Employees | 2,716 |
| 91. | Northrop Corp. | 2,702 |
| 92. | Atlantic Richfield | 2,700 |
| 93. | Utah State Retirement Board | 2,688 |
| 94. | Louisiana Teachers | 2,609 |
| 95. | UAL Inc. | 2,600 |
| 96. | Delta Air Lines Inc. | 2,550 |
| 97. | Textron Inc. | 2,502 |
| 98. | General Foods Corp. | 2,500 |
| 99. | Illinois Universities | 2,483 |
| 100. | ITT Corp. | 2,482 |
| 101. | United Methodist Church | 2,416 |
| 102. | Grumman Corp. | 2,400 |
| 103. | J.C. Penney Co. | 2,356 |
| 104. | LTV Corp. | 2,354 |
| 105. | Kentucky Teachers Retirement | 2,325 |
| 106. | Xerox Corp. | 2,316 |
| 107. | Deere & Co. | 2,307 |
| 108. | Consolidated Edison Co. | 2,297 |
| 109. | Chicago Teachers | 2,281 |
| 110. | Illinois State Board | 2,280 |
| 111. | Trans World Airlines | 2,265 |
| 112. | Ohio Police and Fire | 2,237 |
| 113. | Minn. Mining & Manufacturing Co. | 2,221 |
| 114. | Texaco Inc. | 2,219 |
| 115. | Los Angeles Fire and Police | 2,205 |
| 116. | World Bank | 2,200 |
| 117. | Honeywell Inc. | 2,163 |
| 118. | Martin Marietta Corp. | 2,123 |
| 119. | Kentucky Retirement Systems | 2,108 |
| 120. | Dow Chemical Co. | 2,080 |
| 121. | Eastern Air Lines & Pilots | 2,074 |
| 122. | Southern Co. | 2,060 |
| 123. | Nevada Public Employees | 2,048 |
| 124. | Tennessee Valley Authority | 2,028 |
| 125. | Indiana Public Employees | 2,020 |
| 126. | TRW Inc. | 2,005 |
| 127. | Conoco Inc. | 1,987 |
| 128. | Boilermakers-Blacksmiths | 1,984 |
| 129. | Tenneco Inc. | 1,941 |
| 130. | Aetna Life & Casualty Co. | 1,906 |
| 131. | Dart & Kraft Inc. | 1,877 |
| 132. | Owens-Illinois | 1,875 |
| 133. | Sun Co. | 1,856 |
| 134. | Ohio School Employees | 1,854 |
| 135. | Raytheon Co. | 1,840 |
| 136. | Los Angeles City Employees | 1,822 |
| 137. | Louisiana State Employees | 1,806 |
| 138. | Southern Baptist Convention | 1,787 |
| 139. | Southern California Edison | 1,756 |
| 140. | Presbyterian Church U.S.A. | 1,750 |
| 141. | Amoco Inc. | 1,712 |
| 142. | Citicorp | 1,701 |
| 143. | Commonwealth Edison Co. | 1,687 |
| 144. | Goodyear Tire & Rubber Co. | 1,658 |
| 145. | Navistar International Corp. | 1,655 |
| 146. | Inland Steel Industries Inc. | 1,652 |
| 147. | Massachusetts PRIT | 1,646 |
| 148. | FMC Corp. | 1,644 |
| 149. | Bakery & Confectionery Workers | 1,600 |
| 150. | Hospital Health Care Employees | 1,600 |
| 151. | Oklahoma Teachers | 1,590 |
| 152. | International Paper Co. | 1,567 |
| 153. | Travelers Insurance Co. | 1,553 |
| 154. | National Rural Electric Co-op | 1,550 |
| 155. | Standard Oil Co. | 1,535 |
| 156. | GenCorp Inc. | 1,525 |
| 157. | Philip Morris Inc. | 1,524 |
| 158. | International Operating Engineers | 1,515 |
| 159. | Florida Power & Light Co. | 1,509 |
| 160. | Los Angeles Water & Power | 1,500 |
| 161. | McDermott International Inc. | 1,496 |
| 162. | Arkansas Teacher Retirement | 1,489 |
| 163. | Rhode Island State & City | 1,483 |
| 164. | PPG Industries Inc. | 1,476 |
| 165. | Eli Lilly and Co. | 1,425 |
| 166. | Bechtel Power Corp. | 1,400 |
| 167. | K mart Corp. | 1,399 |
| 168. | Southern New England Telephone | 1,375 |
| 169. | Hercules Inc. | 1,367 |
| 170. | Philadelphia Municipal | 1,358 |
| 171. | Texas Municipal Retirement | 1,350 |
| 172. | Teledyne | 1,346 |
| 173. | New Mexico Educational Board | 1,341 |
| 174. | Motorola | 1,325 |
| 175. | New York Life Insurance Co. | 1,317 |
| 176. | Pan American World Airways Inc. | 1,307 |
| 177. | Texas County & District | 1,271 |
| 178. | Teamsters New England | 1,265 |
| 179. | Indiana State Teachers | 1,260 |
| 180. | American Stores Co. | 1,254 |
| 181. | Episcopal Church Pension Fund | 1,250 |
| 182. | New Mexico Public Employees | 1,240 |
| 183. | West Virginia State | 1,230 |
| 184. | CIGNA Corp. | 1,221 |
| 185. | Unocal Corp. | 1,207 |
| 186. | Houston City, Fire and Police | 1,203 |
| 187. | Delaware State | 1,200 |
| 188. | IAM National Pension Fund | 1,198 |
| 189. | Milwaukee City Employees | 1,187 |
| 190. | S. Calif. Food/Commercial Workers | 1,181 |
| 191. | Chicago Employees | 1,170 |
| 192. | Abbott Laboratories | 1,160 |
| 193. | Cooper Industries Inc. | 1,150 |
| 194. | Hewlett-Packard | 1,150 |
| 195. | National Intergroup Inc. | 1,140 |
| 196. | Baltimore Employees | 1,140 |
| 197. | Halliburton Savings Plan | 1,130 |
| 198. | Continental Can Co. | 1,104 |
| 199. | Ashland Oil Inc. | 1,100 |
| 200. | Idaho Public Employees | 1,100 |
| | Total | 1,011,698 |

# Ranking of funds/sponsors 201-1,000

| Rank | Fund/sponsor | Location | Assets |
|---|---|---|---|
| 201. | Maine State Retirement | Augusta | 1,100 |
| 202. | United Parcel Service | Greenwich, Conn. | 1,100 |
| 203. | Wyoming Retirement | Cheyenne | 1,100 |
| 204. | Army Air Force Exch. | Dallas | 1,092 |
| 205. | Pacific Lighting | Los Angeles | 1,091 |
| 206. | Sheet Metal Workers | Washington | 1,088 |
| 207. | Johnson & Johnson | N. Brunswick, N.J. | 1,087 |
| 208. | Kimberly-Clark | Dallas | 1,086 |
| 209. | Carpenters, N. Calif. | Oakland | 1,080 |
| 210. | Times Mirror | Los Angeles | 1,069 |
| 211. | Amer. Electric Power | Columbus, Ohio | 1,060 |
| 212. | John Hancock Mutual | Boston | 1,058 |
| 213. | American Can | Greenwich, Conn. | 1,053 |
| 214. | Chicago Policemen | Chicago | 1,050 |
| 215. | North American Philips | New York | 1,048 |
| 216. | BATUS | Louisville, Ky. | 1,046 |
| 217. | Texas Utilities | Dallas | 1,045 |
| 218. | Bristol-Myers | New York | 1,044 |
| 219. | Michigan Municipal | Lansing | 1,040 |
| 220. | Arkansas Public Empl. | Little Rock | 1,031 |
| 221. | Financial Institutions | White Plains, N.Y. | 1,030 |
| 222. | Retail Clerks N. Calif. | Walnut Creek | 1,028 |
| 223. | CBS | New York | 1,020 |
| 224. | Fed. Depart. Stores | Cincinnati | 1,020 |
| 225. | Dun & Bradstreet | New York | 1,015 |
| 226. | United Telecom. | Kansas City, Mo. | 1,011 |
| 227. | Burlington Northern | Seattle | 1,010 |
| 228. | Champion International | Stamford, Conn. | 1,010 |
| 229. | Sandia Nat'l Labs | Albuquerque, N.M. | 1,008 |
| 230. | Chef Pierre | Traverse City, Mich. | 1,007 |
| 231. | NCR | Dayton, Ohio | 1,006 |
| 232. | Oper. Eng. 302/612 | Seattle | 1,005 |
| 233. | American Bar Assoc. | Chicago | 1,001 |
| 234. | American Cyanamid | Wayne, N.J. | 1,000 |
| 235. | Kaiser Permanente | Oakland, Calif. | 1,000 |
| 236. | Montana Retirement | Helena | 1,000 |
| 237. | Okla. State Employees | Oklahoma City | 1,000 |
| 238. | YMCA Retirement Fund | New York | 1,000 |
| 239. | American Standard | New York | 998 |
| 240. | MHT | New York | 998 |
| 241. | Northwest Airlines | St. Paul, Minn. | 998 |
| 242. | Warner Lambert | Morris Plains, N.J. | 998 |
| 243. | Missouri State Empl. | Jefferson City | 990 |
| 244. | James River | Richmond, Va. | 986 |
| 245. | Upjohn | Kalamazoo, Mich. | 985 |
| 246. | MEBA | Baltimore | 982 |
| 247. | Pfizer | New York | 980 |
| 248. | NADA Retirement Trust | McLean, Va. | 971 |
| 249. | Texas Instruments | Dallas | 969 |
| 250. | Baltimore Employees | Baltimore | 968 |
| 251. | N. Calif. Food Industry | Walnut Creek | 950 |
| 252. | Santa Fe S. Pacific | Chicago | 950 |
| 253. | Eaton | Cleveland | 945 |
| 254. | Niagara Mohawk Power | Syracuse, N.Y. | 943 |
| 255. | Merck | Rahway, N.J. | 939 |
| 256. | W.R. Grace | New York | 938 |
| 257. | Columbia Gas System | Wilmington, Del. | 937 |
| 258. | Rohm and Haas | Philadelphia | 930 |
| 259. | Duke Power | Charlotte, N.C. | 929 |
| 260. | Arizona Public Safety | Phoenix | 928 |
| 261. | Digital Equipment | Acton, Mass. | 928 |
| 262. | Philadelphia Electric | Philadelphia | 918 |
| 263. | N.H. Retirement | Concord, N.H. | 916 |
| 264. | S. Dakota Retirement | Pierre | 908 |
| 265. | Delaware State | Dover | 890 |
| 266. | Cook County Annuity | Chicago | 886 |
| 267. | SmithKline Beckman | Philadelphia | 880 |
| 268. | District of Columbia | Washington | 875 |
| 269. | Scott Paper | Philadelphia | 870 |
| 270. | Food Comm. Wkrs. | Chicago | 869 |
| 271. | Whirlpool | Benton Harbor, Mich. | 867 |
| 272. | Corning Glass Works | Corning, N.Y. | 860 |
| 273. | Hallmark Cards | Kansas City, Mo. | 860 |
| 274. | Operating Eng. 12 | Pasadena, Calif. | 850 |
| 275. | Olin | Stamford, Conn. | 849 |
| 276. | Litton Industries | Beverly Hills, Calif. | 841 |
| 277. | Ralston Purina | St. Louis | 833 |
| 278. | R.R. Donnelley & Sons | Chicago | 830 |
| 279. | Colt Industries | New York | 829 |
| 280. | Borg-Warner | Chicago | 826 |
| 281. | Union Pacific | New York | 818 |
| 282. | CIBA-Geigy | Ardsley, N.Y. | 815 |
| 283. | Control Data | Minneapolis | 815 |
| 284. | Cummins Engine | Columbus, Ind. | 812 |
| 285. | Boise Cascade | Boise, Idaho | 801 |
| 286. | Enron | Houston | 800 |
| 287. | Montgomery Ward | Chicago | 800 |
| 288. | Emerson Electric | St. Louis | 799 |
| 289. | Detroit Edison | Detroit | 788 |
| 290. | Aramco Services | Houston | 782 |
| 291. | Consumers Power | Jackson, Mich. | 782 |
| 292. | Deseret Mutual Benefit | Salt Lake City | 782 |
| 293. | General Public Utilities | Parsippany, N.J. | 782 |
| 294. | Elec. Products Ind. | Flushing, N.Y. | 779 |
| 295. | Greyhound | Phoenix, Ariz. | 773 |
| 296. | Ethyl | Richmond, Va. | 771 |
| 297. | Middle South Utilities | New Orleans | 770 |
| 298. | Dana | Toledo, Ohio | 767 |
| 299. | Georgia Pacific | Atlanta | 766 |
| 300. | Norfolk Southern | Roanoke, Va. | 766 |
| 301. | Laborers, Texas Nat'l | Dallas | 762 |
| 302. | General Mills | Minneapolis | 761 |
| 303. | Manville | Denver | 756 |
| 304. | Public Service E&G | Newark, N.J. | 750 |
| 305. | Singer | Stamford, Conn. | 740 |
| 306. | ABC Ministers Miss. | New York | 738 |
| 307. | Contel | Atlanta | 737 |
| 308. | Ingersoll-Rand | Woodcliff Lake, N.J. | 733 |
| 309. | Weyerhaeuser | Tacoma, Wash. | 730 |
| 310. | Chicago Transit | Chicago | 722 |
| 311. | Orange County | Santa Ana, Calif. | 717 |
| 312. | Consolidated Rail | Philadelphia | 712 |
| 313. | Hoffman-LaRoche | Nutley, N.J. | 710 |
| 314. | BASF | Parsippany, N.J. | 708 |
| 315. | Coca-Cola | Atlanta | 705 |
| 316. | Crown Zellerbach | San Francisco | 705 |
| 317. | Lutheran Church Amer. | Minneapolis | 705 |
| 318. | USG | Chicago | 705 |
| 319. | Brown & Root | Houston | 704 |
| 320. | Northeast Utilities | Berlin, Conn. | 702 |
| 321. | E-Systems | Dallas | 700 |
| 322. | N.J. Hospital Assoc. | Princeton, N.J. | 700 |
| 323. | Liberty Mutual Insur. | Boston | 699 |
| 324. | Minneapolis Employees | Minneapolis | 696 |
| 325. | Armstrong World Ind. | Lancaster, Pa. | 695 |
| 326. | Polaroid | Cambridge, Mass. | 695 |
| 327. | IC Industries | Chicago | 694 |
| 328. | San Diego County | San Diego | 690 |
| 329. | A.J. Bayless Markets | Phoenix, Ariz. | 688 |
| 330. | Painters, International | Washington | 686 |
| 331. | Budd | Troy, Mich. | 683 |
| 332. | S. Calif. Carpenters | Los Angeles | 682 |
| 333. | Consolidated Nat'l Gas | New York | 668 |
| 334. | Cincinnati Retirement | Cincinnati | 667 |
| 335. | CSX | Richmond, Va. | 663 |
| 336. | Marsh & McLennan | New York | 663 |
| 337. | Allied Stores | New York | 662 |
| 338. | ICMA Retirement | Washington | 662 |
| 339. | Blue Cross Blue Shield | Chicago | 659 |
| 340. | Lutheran Mo. Synod | St. Louis | 658 |
| 341. | U.S. Air | Washington | 657 |
| 342. | American Red Cross | Washington | 655 |
| 343. | Northern States Power | Minneapolis | 653 |
| 344. | United Church Boards | New York | 644 |
| 345. | N. Calif. Operating Eng. | San Francisco | 640 |
| 346. | Occidental Petroleum | Los Angeles | 636 |
| 347. | Time | New York | 635 |
| 348. | Schlumberger | New York | 630 |
| 349. | Southland | Dallas | 626 |
| 350. | Westvaco | New York | 626 |
| 351. | Wayne County | Detroit | 625 |
| 352. | Int'l Longshoremen | New York | 623 |
| 353. | Farmland Industries | Kansas City, Mo. | 622 |
| 354. | Alameda County | Oakland, Calif. | 620 |
| 355. | Sacramento County | Sacramento, Calif. | 619 |
| 356. | Beatrice Companies | Chicago | 618 |
| 357. | Central Pa. Teamsters | Reading | 616 |
| 358. | San Diego City | San Diego | 616 |
| 359. | Owens Corning Fiber. | Toledo, Ohio | 614 |
| 360. | Pillsbury | Minneapolis | 610 |
| 361. | Winn Dixie Stores | Jacksonville, Fla. | 610 |
| 362. | Campbell Soup | Camden, N.J. | 607 |
| 363. | Baxter Travenol | Deerfield, Ill. | 605 |
| 364. | Masters Mates Pilots | Linthicum, Md. | 605 |
| 365. | Teamsters Alaska 959 | Anchorage, Alaska | 605 |
| 366. | Centerior Energy | Independence, Ohio | 604 |
| 367. | Mass. Bay Transit | Boston | 604 |
| 368. | Central and South West | Dallas | 603 |
| 369. | Air Products & Chem. | Allentown, Pa. | 600 |
| 370. | Kellogg | Battle Creek, Mich. | 598 |
| 371. | Baltimore G&E | Baltimore | 595 |
| 372. | Savings Institutions | New York | 594 |
| 373. | Kaiser Alum. & Chem. | Oakland, Calif. | 591 |
| 374. | Virginia Power | Richmond | 583 |
| 375. | Capital Cities ABC | New York | 581 |
| 376. | Burlington Industries | Greensboro, N.C. | 580 |
| 377. | Anheuser-Busch | St. Louis | 579 |
| 378. | Cincinnati Bell | Cincinnati | 579 |
| 379. | PepsiCo | Purchase, N.Y. | 579 |
| 380. | San Bernardino County | S. Bernardino, Calif. | 576 |
| 381. | Stone & Webster | New York | 576 |
| 382. | Bayer USA | Pittsburgh | 575 |
| 383. | Reynolds Metals | Richmond, Va. | 572 |
| 384. | Carpenters, N.Y.C. | New York | 570 |
| 385. | Sherwin-Williams | Cleveland | 569 |
| 386. | Emhart | Farmington, Conn. | 568 |
| 387. | Conoco | Wilmington, Del. | 561 |
| 388. | Operating Engineers 3 | San Francisco | 561 |
| 389. | Morton Thiokol | Chicago | 558 |
| 390. | May Department Stores | St. Louis | 557 |
| 391. | Denver Public School | Denver | 551 |
| 392. | Food Comm. Wrkrs 27 | Baltimore | 551 |
| 393. | Coastal | Houston | 550 |
| 394. | Dallas City Employees | Dallas | 550 |
| 395. | Nat'l Auto. Sprinkler | Silver Spring, Md. | 549 |
| 396. | Pennsylvania P&L | Allentown | 548 |
| 397. | Contra Costa County | Martinez, Calif. | 547 |
| 398. | Quaker Oats | Chicago | 546 |
| 399. | Squibb | Princeton, N.J. | 542 |
| 400. | Dayton Hudson | Minneapolis | 540 |
| 401. | Battelle Memorial Inst. | Columbus, Ohio | 536 |
| 402. | Borden | Columbus, Ohio | 535 |
| 403. | Boston City Retirement | Boston | 531 |
| 404. | Gillette | Boston | 529 |
| 405. | Nat'l Telephone Co-op | Washington | 528 |
| 406. | Peoples Energy | Chicago | 526 |
| 407. | Mead | Dayton, Ohio | 525 |
| 408. | Ralph M. Parsons | Pasadena, Calif. | 525 |
| 409. | Amalgamated Life | New York | 524 |
| 410. | Louisiana School | Baton Rouge | 522 |
| 411. | Container Corp. Amer. | Chicago | 521 |
| 412. | San Jose Retirement | San Jose, Calif. | 520 |
| 413. | Navy Resale Systems | Staten Island, N.Y. | 518 |
| 414. | Primark | Detroit | 518 |
| 415. | Teamsters Local 705 | Chicago | 514 |
| 416. | Milwaukee County | Milwaukee | 513 |
| 417. | Washington Post | Washington | 513 |
| 418. | Harris | Melbourne, Fla. | 512 |
| 419. | Household International | Prospect Hgts., Ill. | 506 |
| 420. | Milliken | Spartanburg, S.C. | 506 |
| 421. | Graphic Comm. Int'l | Washington | 504 |
| 422. | Baltimore County | Towson, Md. | 503 |
| 423. | Miles Laboratories | Elkhart, Ind. | 503 |
| 424. | Ohio Edison | Akron, Ohio | 503 |
| 425. | Vermont State | Montpelier | 503 |
| 426. | Timken | Canton, Ohio | 500 |
| 427. | Combustion Engineer. | Stamford, Conn. | 498 |
| 428. | Houston Industries | Houston | 497 |
| 429. | Wheeling-Pittsburgh | Pittsburgh | 493 |
| 430. | Deluxe Check Printers | St. Paul, Minn. | 492 |
| 431. | Midwest Operating Eng. | Countryside, Ill. | 492 |
| 432. | State Farm Insurance | Bloomington, Ill. | 484 |
| 433. | IBEW | Washington | 483 |
| 434. | Memphis City | Memphis, Tenn. | 483 |
| 435. | Operating Eng. 150 | Countryside, Ill. | 482 |
| 436. | Sundstrand | Rockford, Ill. | 482 |
| 437. | Motion Picture Industry | Studio City, Calif. | 479 |
| 438. | Teamsters Affiliates | Washington | 479 |
| 439. | ICI Americas | Wilmington, Del. | 474 |
| 440. | Uniroyal | Middlebury, Conn. | 473 |
| 441. | Christian Church | Indianapolis | 469 |
| 442. | City Investing | New York | 469 |
| 443. | Teamsters N.Y. State | Utica | 467 |
| 444. | Steelcase | Grand Rapids, Mich. | 465 |
| 445. | Wis. Electric Power | Milwaukee | 463 |
| 446. | Phelps Dodge | New York | 462 |
| 447. | University of Pa. | Philadelphia | 462 |
| 448. | Pennzoil | Houston | 458 |
| 449. | ASARCO | New York | 456 |
| 450. | Food Comm., Retail | Atlanta | 456 |
| 451. | Sara Lee | Chicago | 455 |
| 452. | Amer. Fed. Musicians | New York | 454 |
| 453. | Seafarers International | Camp Springs, Md. | 453 |
| 454. | Hanson Industries | Iselin, N.J. | 452 |
| 455. | New England Electric | Westborough, Mass. | 452 |
| 456. | Laborers, Const. Gen'l | Forest Park, Ill. | 451 |
| 457. | Montgomery County | Rockville, Md. | 451 |
| 458. | Dresser | Dallas | 450 |
| 459. | Laborers International | Washington | 450 |
| 460. | Service Empl. 32B/32J | New York | 450 |
| 461. | Union Camp | Wayne, N.J. | 450 |
| 462. | H.J. Heinz | Pittsburgh | 449 |
| 463. | Celanese | New York | 448 |
| 464. | Fairfax County | Fairfax, Va. | 448 |
| 465. | Lumber Workers | Portland, Ore. | 448 |
| 466. | Wickes Companies | Santa Monica, Calif. | 447 |
| 467. | Fruehauf | Detroit | 446 |
| 468. | Amp | Harrisburg, Pa. | 445 |
| 469. | B.F. Goodrich | Akron, Ohio | 445 |
| 470. | Johnson Controls | Milwaukee | 445 |
| 471. | New York State E&G | Ithaca | 445 |
| 472. | Schering-Plough | Madison, N.J. | 445 |
| 473. | Texas Eastern | Houston | 445 |

# Ranking of funds/sponsors 201-1,000

| Rank | Fund/sponsor | Location | Assets |
|---|---|---|---|
| 474. | Avon Products | New York | 442 |
| 475. | Norton | Worcester, Mass. | 442 |
| 476. | Screen Actors Produc. | Burbank, Calif | 442 |
| 477. | Firestone | Akron, Ohio | 439 |
| 478. | Missouri Local Gov't | Jefferson City | 439 |
| 479. | Teamsters Local 710 | Chicago | 439 |
| 480. | Union Electric | St. Louis | 438 |
| 481. | Int'l Typographical | Colorado Springs | 437 |
| 482. | Const. Laborers S. Calif. | Los Angeles | 436 |
| 483. | Colorado Fire Police | Denver | 434 |
| 484. | Kroger | Cincinnati | 433 |
| 485. | McGraw-Hill | New York | 430 |
| 486. | San Diego G&E | San Diego | 430 |
| 487. | Florida Progress | St. Petersburg | 429 |
| 488. | Aerospace | El Segundo, Calif. | 428 |
| 489. | Denver Fire Police | Denver | 426 |
| 490. | F.W. Woolworth | New York | 426 |
| 491. | Lear Siegler | Santa Monica, Calif. | 425 |
| 492. | Marriott | Bethesda, Md. | 425 |
| 493. | Laborers & Employees | Chicago | 422 |
| 494. | Chicago Firemen | Chicago | 420 |
| 495. | Print. Press. Graphic | Los Angeles | 417 |
| 496. | Tektronix | Beaverton, Ore. | 417 |
| 497. | Carolina P&L | Raleigh, N.C. | 416 |
| 498. | Ex-Cell-O | Troy, Mich. | 414 |
| 499. | R.H. Macy | New York | 413 |
| 500. | Paper Industry | Nashville, Tenn. | 412 |
| 501. | White Consolidated | Cleveland | 412 |
| 502. | Cincinnati G&E | Cincinnati | 410 |
| 503. | Endata | Nashville, Tenn. | 407 |
| 504. | Walgreen | Deerfield, Ill. | 407 |
| 505. | Graphic Arts 458 | Chicago | 406 |
| 506. | Jacksonville City | Jacksonville, Fla. | 405 |
| 507. | Briggs & Stratton | Milwaukee | 403 |
| 508. | Carpenter Technology | Reading, Pa. | 403 |
| 509. | AFTRA | New York | 400 |
| 510. | Henley Group | La Jolla, Calif. | 400 |
| 511. | J.P. Stevens | New York | 400 |
| 512. | Longshoremen, ILA | Philadelphia | 400 |
| 513. | Seattle City Empl. | Seattle | 400 |
| 514. | A.O. Smith | Milwaukee | 399 |
| 515. | Roadway Services | Akron | 399 |
| 516. | Safeway Stores | Oakland, Calif. | 395 |
| 517. | Op. Eng., Ohio Locals | Columbus | 394 |
| 518. | McKesson | San Francisco | 393 |
| 519. | CPC International | Englewood Cl., N.J. | 392 |
| 520. | Inter-Local Pension | Chicago | 392 |
| 521. | Transco Energy | Houston | 392 |
| 522. | Carpenters Dist. Coun. | Chicago | 390 |
| 523. | Pennwalt | Philadelphia | 389 |
| 524. | Arthur D. Little | Cambridge, Mass. | 387 |
| 525. | Hughes Tool | Houston | 387 |
| 526. | Carpenters Dist. Coun. | Southfield, Mich. | 385 |
| 527. | West. Pa. Teamsters | Pittsburgh | 385 |
| 528. | Johnson & Higgins | New York | 384 |
| 529. | Nebraska State Invest. | Lincoln | 384 |
| 530. | Atlanta City | Atlanta | 382 |
| 531. | Food/Comm. Wrkrs. 174 | New York | 379 |
| 532. | Operating Eng. 324 | Birmingham, Mich. | 379 |
| 533. | Carpenters Dist. Coun. | Cleveland | 378 |
| 534. | Panhandle Eastern | Kansas City, Mo. | 377 |
| 535. | Amstar | New York | 375 |
| 536. | Fresno County | Fresno, Calif. | 373 |
| 537. | Clark Equipment | Buchanan, Mich. | 370 |
| 538. | J.M. Huber | Edison, N.J. | 369 |
| 539. | Food/Comm. Wrkrs. | Washington | 368 |
| 540. | George A. Hormel | Austin, Minn. | 368 |
| 541. | Northern Ill. Gas | Aurora | 368 |
| 542. | Directors Guild/Amer. | Los Angeles | 367 |
| 543. | Lever Brothers | New York | 367 |
| 544. | Perkin-Elmer | Norwalk, Conn. | 367 |
| 545. | Cincinnati Milacron | Cincinnati | 366 |
| 546. | Gulf & Western | New York | 366 |
| 547. | Arthur Andersen | Chicago | 362 |
| 548. | Calif. Butchers | Oakland | 362 |
| 549. | IBEW Local 1547 | Anchorage, Alaska | 361 |
| 550. | Amer. Hosp. Supply | Evanston, Ill. | 360 |
| 551. | Gannett | Arlington, Va. | 360 |
| 552. | S. Calif. Plumbing/Heat | Los Angeles | 360 |
| 553. | National Elevator | Patterson, N.J. | 359 |
| 554. | Springs Industries | Fort Mill, S.C. | 359 |
| 555. | Plumbers Local 597 | Chicago | 358 |
| 556. | Ventura County | Ventura, Calif. | 356 |
| 557. | Tribune Co. | Chicago | 356 |
| 558. | S. Calif. Rapid Transit | Los Angeles | 355 |
| 559. | Amerada Hess | New York | 354 |
| 560. | Allis-Chalmers | Milwaukee | 353 |
| 561. | Inter-Amer. Dev. Bank | Washington | 353 |
| 562. | Peat Marwick Mitchell | New York | 353 |
| 563. | American Motors | Southfield, Mich. | 352 |
| 564. | Elec. Cont./IBEW 134 | Chicago | 350 |
| 565. | Joseph E. Seagram | New York | 350 |
| 566. | Williams Companies | Tulsa, Okla. | 350 |
| 567. | Long Island Lighting | Hicksville, N.Y. | 347 |
| 568. | Reader's Digest | Pleasantville, N.Y. | 346 |
| 569. | Loews | New York | 345 |
| 570. | Becton Dickinson | Franklin Lakes, N.J. | 344 |
| 571. | Sandoz | New York | 344 |
| 572. | Hotel/Restaurant 165 | Las Vegas, Nev. | 343 |
| 573. | Major League Players | New York | 343 |
| 574. | Moore Business Forms | Chicago | 343 |
| 575. | Delmarva P&L | Wilmington, Del. | 341 |
| 576. | Electrical Workers, 11 | Los Angeles | 341 |
| 577. | Piedmont Aviation | Winston-Salem, N.C. | 341 |
| 578. | Amer. Home Products | New York | 338 |
| 579. | Fort Worth Empl. | Fort Worth, Texas | 336 |
| 580. | Arizona Public Service | Phoenix | 335 |
| 581. | Centel | Chicago | 335 |
| 582. | Revlon | New York | 335 |
| 583. | Thomson McKinnon | New York | 335 |
| 584. | Colo. Public Service | Denver | 334 |
| 585. | Dallas Police Fire | Dallas | 333 |
| 586. | Hospital Corp. of Amer. | Nashville, Tenn. | 333 |
| 587. | Minneapolis Teachers | Minneapolis | 330 |
| 588. | Nat'l Maritime Pension | New York | 330 |
| 589. | Rapid-American | New York | 329 |
| 590. | Rexnord | Brookfield, Wis. | 328 |
| 591. | Flint Employees | Flint, Mich. | 326 |
| 592. | Savings Bank Empl. | Woburn, Mass. | 326 |
| 593. | Fluor | Irvine, Calif. | 325 |
| 594. | Kern County Empl. | Bakersfield, Calif. | 323 |
| 595. | Food Comm. Wrkrs. | Los Angeles | 322 |
| 596. | Carter Hawley Hale | Los Angeles | 320 |
| 597. | Alexander & Alexander | Baltimore | 318 |
| 598. | Maritime Association | Houston | 317 |
| 599. | Rohr Industries | Chula Vista, Calif. | 317 |
| 600. | Building Trades | Milwaukee | 316 |
| 601. | Enserch | Dallas | 316 |
| 602. | Brockway (N.Y.) | Jacksonville, Fla. | 314 |
| 603. | Hammermill Paper | Erie, Pa. | 313 |
| 604. | Western Union | Up. Saddle Riv., N.J. | 311 |
| 605. | Boc Group | Montvale, N.J. | 310 |
| 606. | Farley Industries | Chicago | 310 |
| 607. | Potomac Electric Power | Washington | 310 |
| 608. | Miami City Empl. | Miami | 309 |
| 609. | Royal Indemnity | New York | 309 |
| 610. | Sheet Metal Wrkrs.108 | Los Angeles | 309 |
| 611. | United Food/Comm. | Chicago | 309 |
| 612. | Brunswick | Skokie, Ill. | 308 |
| 613. | Hartford City | Hartford, Conn. | 308 |
| 614. | Mo. Highway/Transport | Jefferson City | 308 |
| 615. | Sanders Associates | Nashua, N.H. | 308 |
| 616. | Boy Scouts of America | Irving, Texas | 307 |
| 617. | N. Calif. Sheet Metal | San Francisco | 305 |
| 618. | Gulf States Utilities | Beaumont, Texas | 303 |
| 619. | Wal-Mart Stores | Bentonville, Ark. | 303 |
| 620. | N. Dakota State | Bismarck | 302 |
| 621. | Sonat | Birmingham, Ala. | 302 |
| 622. | Illinois Power | Decatur, Ill. | 301 |
| 623. | Memphis L,G&W | Memphis, Tenn. | 301 |
| 624. | Blue Cross/Blue Shield | Des Moines, Iowa | 300 |
| 625. | Boston Edison | Boston | 300 |
| 626. | Bricklayers & Trowel | Washington | 300 |
| 627. | Gerber Products | Fremont, Mich. | 300 |
| 628. | Hershey Foods | Hershey, Pa. | 300 |
| 629. | Jim Walter | Tampa, Fla. | 300 |
| 630. | Kerr-McGee | Oklahoma City | 300 |
| 631. | Nat'l Industrial Group | Newark, N.J. | 299 |
| 632. | Goldman, Sachs | New York | 298 |
| 633. | S.C. Johnson & Son | Racine, Wis. | 298 |
| 634. | Champion Spark Plug | Toledo, Ohio | 295 |
| 635. | Nat'l Distil. & Chemical | New York | 295 |
| 636. | Pitney-Bowes | Stamford, Conn. | 295 |
| 637. | Anchor Hocking | Lancaster, Ohio | 294 |
| 638. | Okla. Gas & Electric | Oklahoma City | 294 |
| 639. | St. Louis Police | St. Louis | 292 |
| 640. | N. Dakota Teachers | Bismarck | 291 |
| 641. | Amsted Industries | Chicago | 290 |
| 642. | Mars | McLean, Va. | 290 |
| 643. | Brooklyn Union Gas | Brooklyn, N.Y. | 289 |
| 644. | Carnation | Los Angeles | 289 |
| 645. | Chesebrough-Pond's | Westport, Conn. | 287 |
| 646. | Longshoremen, ILWU | San Francisco | 287 |
| 647. | Blue Cross | Kansas City, Mo. | 286 |
| 648. | NL Industries | New York | 286 |
| 649. | United Steelworkers | Philadelphia | 286 |
| 650. | Joy Manufacturing | Pittsburgh | 285 |
| 651. | Carpenters, Calif. Locals | San Manno, Calif. | 283 |
| 652. | Potlatch | San Francisco | 283 |
| 653. | Square D | Palatine, Ill. | 283 |
| 654. | Allegheny International | Pittsburgh | 282 |
| 655. | Carpenters Dist. Council | Philadelphia | 281 |
| 656. | Nalco Chemical | Naperville, Ill. | 281 |
| 657. | N. Ind. Public Service | Hammond, Ind. | 281 |
| 658. | Phoenix City Empl. | Phoenix, Ariz. | 281 |
| 659. | AMAX | Greenwich, Conn. | 280 |
| 660. | Ernst & Whinney | Cleveland | 280 |
| 661. | Fort Howard Paper | Green Bay, Wis. | 280 |
| 662. | Belk Leggett Stores | Charlotte, N.C. | 279 |
| 663. | Interco | St. Louis | 279 |
| 664. | Science Applications | La Jolla, Calif. | 279 |
| 665. | Lithographers Photo | Washington | 276 |
| 666. | Sterling Drug | New York | 276 |
| 667. | Cargill | Minneapolis | 275 |
| 668. | Commerce Clearing | Chicago | 275 |
| 669. | Levi Strauss | San Francisco | 275 |
| 670. | Nestle | White Plains, N.Y. | 275 |
| 671. | San Mateo County | Redwood City, Calif. | 275 |
| 672. | Washington Gas Light | Washington | 275 |
| 673. | Alaska Laborers | Seattle | 273 |
| 674. | Tiger International | Los Angeles | 273 |
| 675. | Zenith Electronics | Chicago | 271 |
| 676. | Federal-Mogul | Detroit | 270 |
| 677. | Koppers | Pittsburgh | 270 |
| 678. | Teamsters, Upstate N.Y. | Syracuse, N.Y. | 270 |
| 679. | Outboard Marine | Waukegan | 268 |
| 680. | Vulcan Materials | Birmingham, Ala. | 268 |
| 681. | Stanley Works | New Britain, Conn. | 267 |
| 682. | Auto Workers 65 | New York | 266 |
| 683. | Hersey Products | Dedham, Mass. | 266 |
| 684. | Laborers, Greater N.Y. | New York | 266 |
| 685. | Maytag | Newton, Iowa | 266 |
| 686. | Rochester G&E | Rochester, N.Y. | 266 |
| 687. | Building Service Empl. | San Francisco | 265 |
| 688. | CBI Industries | Oak Brook, Ill. | 265 |
| 689. | Fireman's Fund | Novato, Calif. | 265 |
| 690. | Gates | Denver | 265 |
| 691. | Kidde | Saddle Brook, N.J. | 265 |
| 692. | Norfolk City | Norfolk, Va. | 265 |
| 693. | TPF&C | Philadelphia | 265 |
| 694. | Alco Standard | Valley Forge, Pa. | 264 |
| 695. | Northern Telecom | Nashville, Tenn. | 264 |
| 696. | Food/Comm. Wrkrs. | Edina, Minn. | 263 |
| 697. | S'western Pub. Service | Amarillo, Texas | 263 |
| 698. | Trinova | Maumee, Ohio | 263 |
| 699. | Equifax | Atlanta | 262 |
| 700. | Cleveland-Cliffs | Cleveland | 260 |
| 701. | Columbus S.Ohio Elec. | Columbus, Ohio | 260 |
| 702. | Fairchild Industries | Chantilly, Va. | 260 |
| 703. | Upholsterers Int'l | Philadelphia | 260 |
| 704. | Amer. Insurance Assoc. | New York | 259 |
| 705. | Int'l Minerals & Chem. | Mundelein, Ill. | 258 |
| 706. | Carpenters, Ore./Wash. | Portland, Ore. | 256 |
| 707. | Diamond Shamrock | Dallas | 256 |
| 708. | Daniel International | Greenville, S.C. | 255 |
| 709. | McDonald's | Oak Brook, Ill. | 254 |
| 710. | Torchmark | Birmingham, Ala. | 253 |
| 711. | AMFAC | San Francisco | 251 |
| 712. | EG&G | Wellesley, Mass. | 251 |
| 713. | N.Y. Cultural Inst. | New York | 251 |
| 714. | NVF | Miami Beach, Fla. | 251 |
| 715. | Pickands Mather | Cleveland | 251 |
| 716. | Sacramento City | Sacramento, Calif. | 251 |
| 717. | Salt River Project | Phoenix, Ariz. | 251 |
| 718. | Baton Rouge | Baton Rouge, La. | 250 |
| 719. | Great North. Nekoosa | Stamford, Conn. | 250 |
| 720. | Greater Cleve. Hosp. | Cleveland | 250 |
| 721. | Ironwrkrs, Ohio/Vicinity | Charleston, W. Va. | 250 |
| 722. | Nat'l Football League | New York | 250 |
| 723. | Cyclops | Pittsburgh | 249 |
| 724. | ONEOK | Tulsa, Okla. | 249 |
| 725. | San Joaquin County | Stockton, Calif. | 248 |
| 726. | Consolidated Papers | Wis. Rapids, Wis. | 246 |
| 727. | Peabody Holding | St. Louis | 246 |
| 728. | Arlington County Empl. | Arlington, Va. | 245 |
| 729. | Fresno City | Fresno, Calif. | 245 |
| 730. | Operating Eng. 825 | Newark, N.J. | 245 |
| 731. | Chicago Park Empl. | Chicago | 244 |
| 732. | Tampa City | Tampa, Fla. | 244 |
| 733. | Tecumseh Products | Tecumseh, Mich. | 244 |
| 734. | Agway | Syracuse, N.Y. | 243 |
| 735. | First Boston | New York | 243 |
| 736. | Steelworkers Nat'l HQ | Pittsburgh | 243 |
| 737. | AMCA International | Hanover, N.H. | 242 |
| 738. | Knight-Ridder | Miami | 241 |
| 739. | St. Louis City | St. Louis | 241 |
| 740. | Blue Bell | Greensboro, N.C. | 240 |
| 741. | Hospital League | New York | 240 |
| 742. | Penn Central | Greenwich, Conn. | 240 |
| 743. | Reliance Electric | Cleveland | 240 |
| 744. | Santa Barbara County | Santa Barbara, Calif. | 240 |
| 745. | Carpenters, Illinois | Geneva | 239 |
| 746. | Operating Eng. 15 | New York | 237 |
| 747. | ACF Industries | Earth City, Mo. | 236 |

# Ranking of funds/sponsors 201-1,000

| Rank | Fund/sponsor | Location | Assets |
|---|---|---|---|
| 748. | Charter Co. | Jacksonville, Fla. | 236 |
| 749. | Food/Comm. Wrkrs | Bellevue, Wash. | 235 |
| 750. | N. Dakota Public | Bismarck | 235 |
| 751. | Chubb | New York | 234 |
| 752. | Hearst | New York | 234 |
| 753. | United Services Auto | San Antonio, Texas | 234 |
| 754. | Elf Aquitaine | Stamford, Conn. | 233 |
| 755. | Food/Comm. Wrkrs 876 | Madison Hgts., Mich. | 233 |
| 756. | Engelhard | Edison, N.J. | 232 |
| 757. | Pacific Power & Light | Portland, Ore. | 232 |
| 758. | Baker International | Orange, Calif. | 231 |
| 759. | Gould | Rolling Meadows, Ill. | 231 |
| 760. | Mass. Laborers | Newton | 231 |
| 761. | Mass. Carpenters | Burlington | 230 |
| 762. | SCM | New York | 230 |
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On the following pages, *Pensions & Investment Age* presents sketches of the nation's 200 largest pension funds. Included for the top 100 are highlights of news events from 1986 and a list of money managers and key personnel. The allocation of assets for all 200 funds also is presented. All information is ©1987 Crain Communications Inc.

# a

## Retirement Systems of Alabama

| | ($ millions) |
|---|---|
| Total assets | 5,454 |
| Defined benefit | 5,454 |
| Employer contributions | 246 |
| Benefit payments | 235 |

MONTGOMERY, Ala. — The Retirement Systems of Alabama sold its stock in the beleaguered Mission Insurance Group after it was speculated the fund would accept stock instead of cash for interest on the notes and debentures it held in the financially troubled company.

The system had filed suit in January to force Mission into involuntary Chapter 11 bankruptcy proceedings after it failed to make semiannual interest payment on the debentures. The suit was pending at year end.

The fund more than doubled its commitment to mortgages during the year ended Sept. 30 because of confidence in that sector. In addition, fund officials began to use stock options because they want to invest in stocks more aggressively because of a flat bond market.

Because of its increased commitment to mortgages, the fund cut back its allocation to mortgage-backed securities.

As of Sept. 30, the fund's book value grew 14.9% to $5.45 billion from $4.744 billion a year earlier.

The system is composed of the Teachers Retirement System, with $3.72 billion; the Employees Retirement System, $1.68 billion; and the Judicial Retirement Fund, $49.8 million.

Employer contributions dropped to about $246 million in 1986 from about $255 million the year before due to good investment returns.

The entire fund is managed in-house. As of Sept. 30, about $120 million was in stock index funds, a decrease of about $55 million from a year ago. Officials said they sold the profitable stock and took the money. Another $20 million was in GICs, $4.1 million in equity real estate, $422 million in mortgages and $909 million in mortgage-backed securities.

The asset mix as of Sept. 30 was 7.43% stocks, 52.23% bonds, 15.48% cash equivalents, 0.07% real estate equity, 0.37% GICs, 7.74% mortgages and 16.68% mortgage-backed securities.

Key investment personnel are David G. Bronner, chief executive officer; Hunter Reaves, director of fixed income; and Cheryl Duke, director of equities.

The money mover scorecard will be published Feb. 9.

## State of Alaska Retirement Systems

| | ($ millions) |
|---|---|
| Total assets* | 2,857 |
| Defined benefit | 2,857 |
| Employer contributions | 282 |
| Benefit payments | 118 |

*as of June 30, 1986

JUNEAU, Alaska — The State of Alaska Retirement Systems' assets jumped 30.8% to $2.857 billion as of June 30, compared with $2.185 billion as of Sept. 30, 1985. Officials said the rise was due to good stock and bond markets, especially in international equities.

Contributions for 1986 increased 43% to $282 million from $197 million, while benefit payments rose 37.2% to $118 million from $86 million.

The fund withdrew from the international bond markets, deciding to take profits and run from unstable exchange rates, officials said.

The retirement system took advantage of a strong market, increasing its allocation to stocks about 50%. Foreign equity more than doubled, to $181 million this year from about $81 million.

The fund had $161.1 million in real estate equity and $440.3 million in mortgages, about $69 million less than it had in mortgages last year. About $1.79 billion is run in-house, including $1.51 billion in fixed income and the remainder in short-term investments.

Fixed-income and stock-index futures are used.

As of June 30, the asset mix was 31.6% stocks, 37.5% bonds, 9.9% cash equivalents, 5.6% real estate equity and 15.4% mortgages.

The fund terminated real estate manager Prudential because of performance, and fund officials said the money was reallocated between bonds and domestic equity.

**Equity managers** (Domestic): Fred Alger; INVESCO; Lehman Management.

(International): Citibank; Morgan Guaranty.

**Real estate managers**: Aetna; John Hancock; Equitable; Security Capital; JMB; J.P. Morgan; Karsten.

First Pennsylvania Bank is master custodian.

Key investment officers are James R. Wilson, chief investment manager; Kenneth L. Shaffer, portfolio manager; and Martin Lentz, real estate officer.

## Allied-Signal

| | ($ millions) |
|---|---|
| Total assets | 6,600 |
| Defined benefit | 4,600 |
| Thrift or savings | 2,000 |
| Employer contributions | 140 |
| Benefit payments | 246 |

MORRISTOWN, N.J. — The pension funds of the old Allied and Signal companies were merged under a single master trustee after operating as separate entities once the two plan sponsors merged in 1985 to become Allied-Signal Inc.

Allied's master trustee, The Northern Trust Co., became master trustee for the entire plan. Chase Manhattan Bank had been the master trustee for the old Signal pension plan.

State Street Bank & Trust Co. became master trustee for all savings plan assets. Bank of America was master trustee for Signal's savings plan assets; State Street was master trustee for solely for Allied's savings plan.

In another development related to the companies' merger, the newly combined plan transferred about $150 million in pension assets to the Henley Group, 35 business units spun off from the company created by the merger.

Allied-Signal dropped four domestic equity managers: Batterymarch Financial Management, C-S Capital Advisors Inc., Thomas J. Herzfeld and Lynch and Mayer Inc. Batterymarch continues as an international manager for Allied-Signal.

No changes were reported in fixed-income and real estate investment managers.

The total assets of the Allied-Signal fund increased 10%, to $6.6 billion from $6 billion. Defined benefit assets were up 15%, to $4.6 billion from $4 billion. The remaining $2 billion is in a thrift or savings plan.

The employer contribution to the pension plan for 1986 was $140 million; an estimated $246 in benefits was paid out by the pension plan only.

The fund had $1 billion managed internally, an increase of 33.3% over the previous period's $750 million. About $500 million


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in fixed income, $400 million in equity and $100 in short term-instruments is managed in-house.

The asset mix as of Sept. 30 was 65% stocks, 28% bonds, 8% cash equivalents, 3% GICs and 6% real estate equity.

An indexed equity fund managed by Bankers Trust accounted for $440 million in assets, while guaranteed investment contracts made up $200 million of the total.

The Allied-Signal plan invested $330 million in foreign equities, $50 million in foreign bonds, $45 million in venture capital, $20 million in oil and gas, $45 million in LBOs and $230 million in real estate equity.

A $1 billion dedicated bond portfolio was sold to take advantage of rising bond prices.

**Equity managers:** Bankers Trust; BMI Capital; Baron Capital, Capital Guardian; Chesapeake Capital; Corinthian Capital; Delaware Investment; Johnson, Valiant & Broadfoot; KR Capital; Kurtz Capital; John A. Levin; Lieber; Lincoln Capital; Lord Abbett; Presidio Management; PRIMECAP; Donald Smith; Target Investors; Thomson, Horstmann & Bryant; Towneley; Verus Capital; Weiss, Peck & Greer; Westport Asset Management.

**Bond managers:** J.P. Morgan; Solomon Asset Management.

**Real estate managers:** Aetna; Equitable; John Hancock; Prudential; RREEF; Travelers.

**International managers:** Arnold & S. Bleichroeder; Batterymarch-International; Morgan Grenfell.

**Options manager:** Balch, Hardy & Scheinman.

Key investment personnel are Edward T. Tokar, vice-president-investments.

Mark E. Smith is senior portfolio manager for fixed-income investments and Vincent Della Volpe, senior portfolio manager for equity investments.

## Aluminum Co. of America

| | ($ millions) |
|---|---|
| Total assets | 2,500 |
| Defined benefit | 2,200 |
| 401(k) | 300 |
| Employer contributions | 125 |
| Benefit payments | na |

PITTSBURGH — The Aluminum Co. of America added three money managers and dropped six during the year ended Sept. 30.

Matrix Capital Management and Mercator Asset Management were hired to run equities for the company's pension plan, while STW Fixed Income Management was brought in for fixed income.

Equity managers dropped were Fred Alger Management; Brundage, Story & Rose; Frontier Capital Management; Hathaway & Associates; and Stralem & Co. BEA Associates was dropped as a fixed-income manager.

Alcoa's total employee benefits assets rose 21.9% to $2.5 billion in the period. Defined benefit plan assets climbed 22.9% to $2.2 billion, from almost $1.8 billion a year earlier.

The company has $500 million in a stock index portfolio; $130 million was invested during the year in an indexed bond portfolio.

Alcoa's investments include $120 million in international investments, $80 million in equities and $40 million in fixed income; $50 million in venture capital pools; $25 million in leveraged buy-out situations; $105 million in equity real estate; and $22 million in mortgage-backed securities.

About $34 million in guaranteed investment contracts with Metropolitan Life Insurance Co. and The Travelers Cos. matured during the year and weren't replaced.

The fund uses stock and bond options and stock index and fixed-income futures. An undisclosed amount is protected through portfolio insurance.

The pension asset mix as of Sept. 30 was 62% stocks, 24% bonds, 9% cash equivalents, 5% equity real estate and 1% mortgage-backed securities.

**Equity managers** (Domestic): Franklin; Geewax, Terker; Matrix; Mercator; PRIMECAP; Rosenberg; State Street Bank; Wells Fargo.

(Global): Capital Guardian; J.P. Morgan.

**Fixed-income managers:** Fischer, Francis, Trees & Watts; Massachusetts Financial Services; Mellon Bank; J.P. Morgan; STW.

**Real estate managers:** Coldwell Banker; Equitable; John Hancock; RREEF.

**Venture capital managers:** Capital Management (Sequoia Funds); Charles River; Dillon Read (Concord Partners and Saratoga Fund); Ventech Partners.

**LBOs:** Kohlberg Kravis & Roberts.

Mellon Bank is the fund's master trustee.

Joseph C. Pellegrino is assistant treasurer, and Donna S. Barr, trust investment analyst.

## American Airlines

| | ($ millions) |
|---|---|
| Total assets | 2,892 |
| Defined benefit | 1,642 |
| Defined contribution | 1,133 |
| 401(k) | 86 |
| Other | 31 |
| Employer contributions | 85 |
| Benefit payments | 110 |

FORT WORTH, Texas — During 1986, American Airlines added two equity managers to its $1 billion Pilots Variable Pension Fund — Independence Investment Associates and Dreman & Embry Inc., for $50 million each.

Vilas Fischer Associates, which handled equity and balanced accounts for the fund, was terminated.

Total employer contributions to all American plans decreased 19% to $85 million from $105 million for the 12 months ended Sept. 30. The decrease was the result of changes in actuarial assumptions.

Benefit payments increased 57%, to $110 million as of Sept. 30 from $70 million a year earlier.

Total assets for the American Airlines plan increased 27.1% to $2.892 billion from $2.275 billion.

American manages $1.1 billion internally: $1.02 billion in fixed income; $70 million in equities; and $10 million in short-term assets.

The American pension fund has $1 billion in dedicated or immunized bonds, $45 million invested in guaranteed investment contracts, $70 million in foreign equity, $30 million in foreign fixed income and $10 million in other foreign investments.

About $300 million is invested in mortgage-backed securities.

The plan uses stock options.

The asset mix for pension assets as of Sept. 30 was 42% stocks, 35% bonds, 8% cash equivalents, 10% mortgage-backed securities and 5% in international.

**Balanced/equity managers:** Atlanta Capital; Barrow, Hanley; Brown Brothers Harriman; Capital Guardian; Citicorp; Dreman & Embry; Independence; Dewey Square; Hotchkis & Wiley; Penmark; RepublicBank Dallas; United Capital.

**Options manager:** Analytic Investments.

**International managers:** Morgan Grenfell; Rowe Price-Fleming; N.M. Rothschild.

Master trustee is RepublicBank Dallas.

Key personnel are William F. Quinn, assistant treasurer; Thomas Stawicki, director of trust investments; and Robert J. Chiore, investment analyst.


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## American Information Technologies Corp.

| | ($ millions) |
|---|---|
| Total assets | 10,479 |
| Defined benefit | 9,279 |
| 401(k) | 1,200 |
| Employer contributions | na |
| Benefit payments | na |

CHICAGO — Ameritech is pulling $1.5 billion from its equity managers to create its first in-house portfolio and to increase its allocation to fixed income. The latter is a major, strategic asset allocation shift, resulting in Ameritech making fixed income its leading investment class.

Ameritech is funding the changes by reducing managers' allocations. It made no changes in its lineup of managers during 1986, and contemplates no changes in 1987.

By December, Ameritech had moved $500 million of the total planned for an internally managed $1 billion Standard & Poor's 500 stock index fund.

In addition, it placed $500 million in a bond income fund temporarily with National Investment Services of America; it plans to move the fund to Lincoln Capital Management.

The fund increased by 15% its venture capital commitments to $60 million as of Sept. 30 from $52 million a year earlier. In the same period, it reduced its real estate equity investments to $300 million from $315 million.

Also, its total international investments increased 121%. Its foreign equity portfolio rose to $400 million from $200 million, while its foreign fixed-income portfolio rose to $500 million from $227 million. The fund has no plans to make any additional funding in international in 1987.

As a result of the strategic asset shifting, its asset mix as of Sept. 30 was 48% stocks, 47% bonds, 3.5% real estate, 3% cash equivalents and 0.5% venture capital.

The core of its fixed-income holdings is a dedicated portfolio, which grew in the year ended Sept. 30 to $3 billion from $2.8 billion because of market gains.

Ameritech had nearly $10.48 billion in total employee benefit assets as of Sept. 30, up 20% from the $8.3 billion the year before. Its defined benefit assets rose 25.8% to nearly $9.3 billion from $7.4 billion. Its 401(k) plan assets rose 33% to $1.2 billion from $900 million. Ameritech attributed the increases in both funds to investment performance.

**Equity managers** (Domestic): AmeriTrust; Concord Capital; David J. Greene; Delaware Investment; First Wisconsin Trust; Jennison Associates; Lincoln Capital; Loomis, Sayles; Lovi Abbett; National City Bank; Rosenberg Capital; Sit Investment; Wells Fargo Investment.

(International): ABD International; Baring International; Capital Guardian Trust; IDS International.

**Bond managers** (Domestic): American Fletcher National; Indiana Investment Advisors; National Investment Services.

(Global): First Chicago Investment.

**Real estate managers:** JMB Institutional; LaSalle Partners; RREEF.

**401(k) plan managers:** Bankers Trust; DFI/EBCO.

Master trustee for Ameritech's pension fund is Harris Trust & Savings Bank and for its 401(k) fund, Northern Trust.

Callan Associates is consultant.

Donald W. Phillips, director investment management, oversees the assets.

## American Telephone & Telegraph Co.

| | ($ millions) |
|---|---|
| Total assets | 39,382 |
| Defined benefit | 25,376 |
| Thrift or savings | 4,369 |
| Employer contributions | 340 |
| Benefit payments | 850 |

NEW YORK — American Telephone & Telegraph Co. established a South Africa-free equity portfolio as an option for its $6.9 billion savings plan in 1986.

Employee benefit assets grew 23.8% to $39.38 billion in the 12 months ended Sept. 30 from $31.807 billion.

Only one manager was added in 1986, State Street Bank and Trust. None was terminated.

The plan is so overfunded that by switching to the new accounting standard for pensions, Financial Accounting Standards Board Statement 87, AT&T's 1986 earnings were boosted by an estimated $1 billion over 1985.

The earnings boost works out to 58 cents a share. If not for the pension fund and FASB 87, AT&T would have reported a net loss for the year.

In spring, the company did a thorough review of its funding status and subsequently altered some actuarial assumptions. The result was a 66.6% dramatic decline in contributions, to an estimated $340 million in 1986 compared to about $992 million in 1985.

At the same time, benefits paid out increased 17.3% to $850 million from $665 million in 1985.

The fund has $7.966 billion in indexed stocks, $3.671 billion in indexed bonds, $3.92 billion in foreign equity, $228 million in venture capital, $261 million in oil and gas, $92 million in leveraged buy-outs, and $3.673 billion in real estate equity.

The fund continues to manage some assets internally, although AT&T officials did not list them on this year's questionnaire, citing the difficulty of working out the figures.

The asset mix as of Sept. 30 was 51% equities, 31% bonds, 18% real estate equity and 4% in a combination of international, venture capital and oil and gas.

**Managers:** Batterymarch; Bernstein; Eastman and Walsh; GBD International; Bankers Trust; Batterymarch; Bennett, Kresge; Boston Co.; Brown Brothers Harriman; Capital Guardian; Chase Investors; Citibank; Caldwell Banker Corporate Property Investors; Copley; Jefferson; David L. Babson; Dewaay Investment; Equitec; Equitable Investment Management; Fayez Sarofim; Fidelity; First Chicago; Fidelity International; GT Capital; Goldman, Sachs; Griffin Group; John Hancock; J.M. Hartman; Heitman; Interfirst Dallas; Investment Counselors of Maryland; Jennison Associates; Lincoln Capital; Loomis, Sayles; Lord Abbett; Manufacturers Hanover; Mercantile Trust; Mellon Bank; Morgan Grenfell; Morgan Guaranty; NCNB; Provident; O'Mara; Prudential Insurance; Rosenberg Capital; SSRIM; Standish Ayer & Wood; State Street Bank; State Street Research; Seattle First; Thorndike, Doran, Paine & Lewis; United Capital; U.S. Trust; Westbrook; Wells Fargo Bank; Western Asset.

Trustee for its AT&T master trust are Bankers Trust, Chase Manhattan, Citibank, Mellon Bank, Northern Trust and State Street Bank.

Key personnel are David P. Feldman, corporate vice president, and Robert S. Kreuter, director.

## Amoco Corp.

| | ($ millions) |
|---|---|
| Total assets | 41,776 |
| Defined benefit | 31,248 |
| Thrift or savings | 1,867 |
| ESOP | 540 |
| Employer contributions | 175 |
| Benefit payments | 939 |

*Not applicable*

CHICAGO — Philip W. Rood,


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assistant treasurer-investments at Amoco Corp., retired July 1. His replacement has not been named.

During 1986, Amoco hired State Street Bank & Trust Co. as an international manager and terminated Ivory & Sime International Inc. It also terminated McKenzie, Walker Investment Management Inc. as an equity manager and moved the money in-house.

*Pensions & Investment Age* estimates that Amoco's employee benefit assets increased 18% to $4.179 billion in the 12 months ended Sept. 30. The estimate is based on Dec. 31, 1985 figures provided by Amoco. Defined benefit assets alone increased 31%.

Employer contributions decreased 24% to $173 million. Benefit payments increased 89% to $335 million, largely because of work force reductions, officials said.

The fund has about $474 million managed internally, estimated by *P&I Age* from the Dec. 31 figures. This includes $415 million in stocks, $23 million in bonds and $36 million in short-term investments.

It has $195 million in indexed stocks, $316 million in foreign investments (largely stocks), $103 million in real estate and $71 million in limited partnerships, *P&I Age* estimates. It uses fixed-income futures.

As of Sept. 30, the approximate pension asset mix was 62% stocks, 9% bonds, 11% cash equivalents, 5% real estate equity and 13% foreign accounts and limited partnerships.

**Equity managers:** Chase Manhattan; CMB Investment; Dimensional Fund Advisors; Fidelity Management; Forstmann-Leff; Franklin Portfolio; Fayez Sarofim; State Street Research.

**Bond managers:** Pacific Investment; Solomon Asset.

**Real estate manager:** Equitable.

**International managers:** Fidelity International; State Street Bank.

Chase Manhattan is master trustee.

The key investment person is John S. Ruey, administrative manager-investments.

## Arizona State Retirement System

| | ($ millions) |
|---|---|
| Total assets* | 5,507 |
| Defined benefit | 5,507 |
| Employer contributions | 124 |
| Benefit payments | 200 |

*as of June 30, 1986

PHOENIX, Ariz. — The Arizona State Retirement System reported dramatic increases in its indexed stock and bond holdings in 1986, with jumps of 108.8% and 157.6%, respectively.

As of Sept. 30, the system had $1.092 billion in indexed stocks and $492 million in indexed bonds.

Max Sullivan, director, said most of the increase came when balanced manager Gardner and Preston Moss was terminated in March and the bulk of its portfolio given to existing index fund manager, Wells Fargo Investment Advisors.

As of June 30, the fund reported defined benefit assets of $5.507 billion, an increase of 34.2% from the $4.103 billion reported a year earlier.

Its 1986 plan contribution was $124 million, a decrease of 6% from the previous year, and its benefit payouts were $200 million.

The fund runs $100 million internally, all in short-term instruments.

The Arizona system has $2.6 million in real estate equity; $225 million in mortgages; and $200 million in mortgage-backed securities.

As of June 30, the asset mix was 40% stocks, 40% bonds, 11% cash equivalents, 5% mortgages and 4% mortgage-backed securities.

**Balanced managers:** Criterion; Fiduciary Trust; INVESCO; Kemper Financial; and Wells Fargo.

**Equity manager:** Bernstein-Macaulay.

**Bond manager:** Duff & Phelps.

**Mortgage manager:** Valley National Bank.

The fund's master custodian is Mellon Bank. Its investment management consultants are Wilshire Associates and SEI.

Mr. Sullivan is the key investment officer.

## Atlantic Richfield Co.

| | ($ millions) |
|---|---|
| Total assets | 2,700 |
| Defined benefit | 2,034 |
| Thrift or savings | 357 |
| 401(k) | 166 |
| PAYSOP | 143 |
| Employer contributions | na |
| Benefit payments | na |

LOS ANGELES — Atlantic Richfield Co. liquidated assets from its defined benefit plan in 1986 to pay employees taking a lump-sum, early retirement option. The liquidation brought total employee benefit assets down 17%, to $2.7 billion as of Sept. 30 from $3.25 billion in 1985. The defined benefit plan decreased 7.5%, to $2.034 billion from $2.2 billion.

ARCO hired the Fox Group as an equity manager when Wells Fargo & Co. acquired Crocker National Corp. in February. Wells Fargo did not want to take over what Crocker had managed.

In late 1986, the total employer contribution for that year had not yet been determined, but a corporate official had said earlier that the contribution was about $111 million, approximately $11 million more than had been projected before the early retirement program was offered.

Internally managed pension assets totaled $1.068 billion: $830 million in equities; $185 million in fixed income, including private placements; $30 million in short-term instruments; and $23 million in real estate.

As of Sept. 30, ARCO had $478 million in foreign equities and $43 million in foreign bonds.

The fund has committed $44 million for venture capital and $8 million for oil and gas. Real estate equity totaled $186 million and mortgages, $27 million.

Stock options, stock index futures and fixed-income futures are used.

The approximate asset mix of the pension assets as of Sept. 30 was 57% stocks, 22% bonds, 3% cash, 9% real estate equity, 2% annuities, 1% mortgages and 6% venture capital, private placements and other investments.

**Equity managers:** G.T. Capital; Capital Guardian; Fidelity International; Fiduciary Trust; Fox Group; Rowe Price-Fleming; TCW; Warburg International.

**Bond managers:** Fiduciary Trust; MacKay-Shields; J.P. Morgan; Solomon Asset.

**Real estate managers:** Aldrich, Eastman & Waltch; Lehndorff & Babson.

**Mortgage manager:** Citicorp.

State Street Bank is master trustee.

E. Kent Damon Jr., vice president and investment officer, oversees the investment management of the fund.

*Pensions & Investment Age*'s directory of investment advisers will run May 25.

### Largest corporate funds
($ millions)

| Fund | Assets |
|---|---|
| General Motors Corp. | 32,900 |
| American Telephone & Telegraph Co. | 30,340 |
| General Electric Co. | 22,891 |
| IBM Corp. | 18,191 |
| Ford Motor Co. | 14,600 |
| E.I. du Pont de Nemours & Co. Inc. | 12,218 |
| NYNEX Corp. | 11,962 |
| Ameritech | 10,478 |
| Bell Atlantic Corp. | 9,500 |
| USX Corp. | 9,400 |
| GTE Corp. | 8,962 |
| BellSouth Corp. | 8,750 |
| Pacific Telesis Group | 8,500 |
| Exxon Corp. | 7,550 |
| U S WEST Inc. | 7,350 |
| Boeing Co. | 7,200 |
| Sears Roebuck & Co. | 6,784 |
| Eastman Kodak Co. | 6,631 |
| Allied-Signal Inc. | 6,600 |
| Southwestern Bell Corp. | 6,206 |
| United Technologies Corp. | 6,108 |
| Lockheed Corp. | 6,065 |
| Rockwell International | 5,986 |
| Chevron Corp. | 5,808 |
| Shell Oil Co. | 5,811 |
| Total | 276,903 |

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## Bell Atlantic Corp.

| | ($ millions) |
|---|---|
| Total assets | 9,500 |
| Defined benefit | 8,500 |
| Thrift or savings | 1,000 |
| Employer contributions | na |
| Benefit payments | na |

PHILADELPHIA — Bell Atlantic Corp.'s total employee benefit assets were up 18.8% in the year ended Sept. 30, to $9.5 billion from $8 billion. In the same period, defined benefit assets rose 21.4% to $8.5 billion from $7 billion.

Bell Atlantic has $1.1 billion in stock index funds and uses stock and fixed-income options and futures.

**Managers** (according to Money Market Directory): Citicorp; Franklin Portfolio; Geewax, Terker; Lord, Abbett; Mellon Capital; Mellon Real Estate; Mercantile Bank of St. Louis; Metropolitan Life; Miller, Anderson & Sherrerd; PRIMECAP; Sovran Bank; Wellington.

According to the company, Mellon Bank is master trustee and Frank Russell Co. is the investment management consultant.

Overseeing Bell Atlantic's employee benefit assets are E.P. Rennie, director-trust investment management, and J.A. Bobrowski, director-trust administration.

## BellSouth Corp.

| | ($ millions) |
|---|---|
| Total assets | 8,750 |
| Defined benefit | 7,600 |
| Thrift or savings | 1,150 |
| Employer contributions | na |
| Benefit payments | na |

ATLANTA — BellSouth Corp.'s total employee benefit assets rose to $8.75 billion as of Sept. 30, up 25.3% from the $6.983 billion a year earlier.

In the same period, its defined benefit assets were up 23.6% to $7.6 billion from $6.15 billion. Its savings plan assets were up 38% to $1.15 billion from $833 million.

**Managers** (according to Money Market Directory): Alliance; AmSouth Bank; Bankers Trust; Barnett Banks; C&S Investment; Dimensional Fund Advisors; First Kentucky; First Tennessee Investment; First Union/Capital Management; Jennison Associates; Loomis Sayles; NCNB National Bank; PIMCO; State Street Bank; TREET.

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### Largest public funds
($ millions)

| Fund | Assets |
|---|---|
| California Public Employees | 37,700 |
| New York State Common Fund | 31,533 |
| New York City Retirement Systems | 30,839 |
| New York State Teachers | 20,235 |
| California State Teachers | 19,361 |
| New Jersey Division of Investment | 16,901 |
| Michigan State Employees | 13,580 |
| Ohio Public Employees | 13,567 |
| Wisconsin Investment Board | 13,500 |
| Texas Teachers | 13,196 |
| Ohio Teachers Retirement System | 12,484 |
| Florida Board of Administration | 11,544 |
| Pennsylvania School Employes | 10,078 |
| North Carolina Retirement Systems | 10,003 |
| Minnesota State Board | 8,858 |
| Georgia State Retirement Systems | 8,382 |
| Washington State Investment Board | 8,100 |
| Los Angeles County | 7,293 |
| Maryland State Retirement | 6,778 |
| Pennsylvania State Employees | 6,730 |
| Oregon Employes Retirement | 6,522 |
| Colorado Public Employees | 6,322 |
| Virginia Retirement System | 6,296 |
| Illinois Teachers | 5,952 |
| Arizona State Retirement System | 5,507 |
| Total | 331,083 |

Bank & Trust.

Overseeing the assets for BellSouth is Kincaid Patterson, director-trust assets.

## Bethlehem Steel Corp.

| | ($ millions) |
|---|---|
| Total assets | 2,913 |
| Defined benefit | 2,913 |
| Employer contributions | 65 |
| Benefit payments | na |

BETHLEHEM, Pa. — Bethlehem Steel Corp. hired State Street Bank & Trust Co. as trustee and record keeper for a new defined contribution plan for salaried employees launched Jan. 1, 1986.

Assets for the plan, managed by Fidelity Management & Research and The Putnam Advisory Co. were about $25 million early in 1986, but no updated amount is available.

The company's defined benefit plan assets climbed 12% in the year ended Sept. 30, 1986, to $2.913 billion from $2.601 billion a year earlier. The bulk of the assets is in a dedicated bond portfolio.

The company made a $65 million employer contribution to the fund in 1986. An estimated $370 million of the plan's $2.9 billion in assets, however, constitutes a receivable for contributions owed the fund.

Bethlehem Steel runs virtually all of its assets internally. As of Sept. 30, $1.5 billion was invested in bonds, $918 million in equities and $74 million in short-term instruments.

Another $50 million is in GICs with Prudential Insurance Co.

The asset mix as of Sept. 30 was 31.5% stocks, 51.5% bonds, 2.6% cash equivalents and 1.7% GICs. The remaining 12.7% represents the receivable.

Bankers Trust Co. is custodian.

Walter W. Buckley Jr. is pension fund manager.

## Boeing Co.

| | ($ millions) |
|---|---|
| Total assets | 7,200 |
| Defined benefit | 4,200 |
| Defined contribution | 3,000 |
| Employer contributions | na |
| Benefit payments | 130 |

SEATTLE — Boeing Co. employee benefit assets totaled $7.2 billion as of Sept. 30, an increase of almost 31% from the $5.509 billion reported the previous year.

The bulk of the growth was in the company's defined contribution plans, whose assets increased almost 52% to $3 billion as of Sept. 30 from $1.975 billion a year earlier. Defined benefit assets increased 18.8%, to $4.2 billion from $3.534 billion.

Boeing has $273 million invested in foreign markets; $75 million committed to venture capital; $150 million committed to leveraged buy-outs; and about $200 million each in mortgages and mortgage-backed securities.

It uses stock index and fixed-income futures.

As of Sept. 30, the asset mix for the pension plan was 45% stocks, 40% bonds, 5% cash equivalents, 5% mortgages and 5% mortgage-backed securities.

**Equity managers:** Alliance, Cabanne Smith; Capital Guardian; Cashman Farrell; Century Capital; Chase Investors; Citicorp; First Interstate Bank of Washington; IDS Advisory; INVESCO; Rosenberg Capital; Sit Investment; Sirach/Flynn Elvins.

**Bond managers:** Robert C. Brown; W.R. Huff; McKee Investment Management; Morgan Guaranty; PIMCO; Seattle First National Bank.

**Real estate managers:** Aetna; First Chicago; Prudential; Security Pacific.

Chase Manhattan Bank is the master trustee; Frank Russell Co. is the investment management consultant.

Key investment personnel are Gary Bland, director-trust investments and investor relations, and Elizabeth A. Marcoux, manager-trust investments.

## California Public Employees' Retirement System

| | ($ millions) |
|---|---|
| Total assets | 37,700 |
| Defined benefit | 37,700 |
| Employer contributions | 1,940 |
| Benefit payments | 1,600 |

SACRAMENTO, Calif. — The $37.7 billion California Public Employees' Retirement System is continuing to broaden its investment makeup since its adoption of the prudent person rule in 1984.

In 1986, the system's trustees added three external equity managers, moved at least $1 billion in equity money in-house, increased its equity exposure and added an investment advisory council.

Trustees also continued investing in real estate, and prepared to invest in timberland. The fund also began the process of seeking a new custodian, as it will no longer use the state treasurer's office for that purpose.

One of the three external equity managers hired by the system, Citicorp Investment Management Inc., had been the equity adviser to the system, making recommendations only. The two others hired were Batterymarch Financial Management and Rosenberg Capital Management.

Each of these managers will be given full discretion over the assets they manage, something the retirement system has not done before. Though it has had several advisers, final decisions were approved by the internal staff and trustees.

Citicorp has agreed to be paid on an incentive fee basis. The system also has a verbal agreement to add five new real estate advisers in the future, all of which the system expects to pay on an incentive fee basis.

The advisers are Richard Ellis; TCW Realty Advisors; Heitman Advisory Corp.; John Hancock Mutual Life Insurance Co., and Forest Investment Associates.

Hancock and Forest would be advisers for timber investments.

Each of the three external equity managers received $500 million, leaving $36.2 billion managed internally, including about $5.5 billion in an internal index fund.

The fund's total assets increased 29.3%, to $37.7 billion from $29.166 billion during the 12 months ended Sept. 30. Total employer contributions dropped to $1.94 billion from $2 billion. Benefit payments made during 1986 were $1.6 billion, up 23% from $1.3 billion.

The asset mix for the fund as of Sept. 30 was 32.8% stocks, 29.5% bonds, 2.4% cash equivalents, 5.4% real estate equity, 7.5% mortgages, 20.7% mortgage-backed securities and 0.7% pooled liquidity account.

**Equity managers:** Batterymarch; Citicorp; Rosenberg.

**Real estate advisers:** F.I.A. Associates; Equitable; LaSalle.

Key investment personnel are Greta Marshall, investment manager; Jim Smith, mortgage investment officer; Carl Wilberg, principal investment officer-equities; and Walt Williams, principal investment officer-fixed income.

Annual PIPER listings: Feb. 23.


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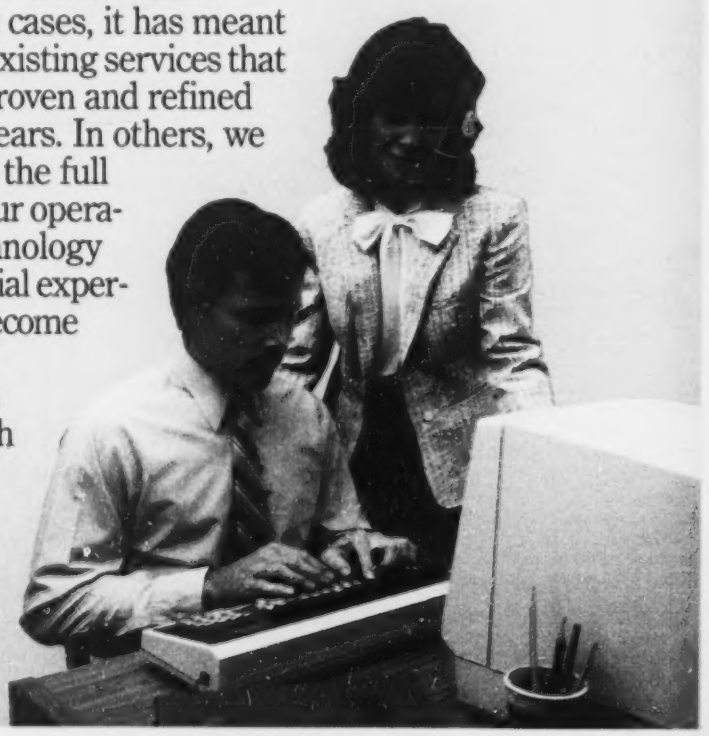

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## California State Teachers' Retirement System

| | ($ millions) |
|---|---|
| Total assets | 19,361 |
| Defined benefit | 19,361 |
| Employer contributions | 2,500 |
| Benefit payments | 1,000 |

SACRAMENTO, Calif. — In 1986, the California Teachers' Retirement System hired five equity managers: Provident Investment Counsel; Denver Investment Advisors; Wright Investors' Service; Pilgrim, Baxter, Hoyt & Greig; and Equitable Investment Management Corp.

Each manager was given an initial allocation of $100 million in assets as the system increased its equity exposure to 46% as of Sept. 30, from 31.1% a year earlier.

The bond allocation was cut to 24% from 57.3%, with about $1.5 billion being shifted to stocks.

System trustees also hired consultant Pension Real Estate Services Inc. as a first step in setting up a structured real estate investment program. In addition, trustees decided to develop their own mortgage pass-through certificates and invest about $400 million a year in single-family mortgages in California.

The fund also set up a program for divestiture of South Africa-related securities under state law. The system's officials said divestiture could involve divestment of 18.5% of its securities, and the program would begin Jan. 1, 1988.

Early in 1986, four staff members were added: Janice Hester, corporate affairs adviser; Elaine Lewter, equity monitor; Monty Lee, fixed-income portfolio manager; and Mal Kangas, mortgage loan officer.

As of Sept. 30, retirement assets for the pension fund totaled $19.361 billion, up 28% from the $15.1 billion reported a year earlier. Employer contributions for 1986 were $2.5 billion, with benefit payouts of $1 billion.

The system has $6.875 billion in indexed stocks, up 212.5%; $524 million in real estate equity, up 60%; $695 million in mortgages, a decrease of 13%; and $2.103 billion in mortgage-backed securities.

The asset mix as of Sept. 30 was 46% stocks, 24% bonds, 12% cash equivalents, 3% real estate equity, 4% mortgages and 11% mortgage-backed securities.

**Equity managers:** Barrow, Hanley, Mewhinney and Strauss; Denver Investment; Dimensional Fund; Equitable Investment; Pilgrim, Baxter, Hoyt & Greig; Provident Capital; Provident Investment; Trinity; Trust Company of the West; Wright Investors' Service; Wells Fargo Investment; and Wilmington Capital.

**Bond managers:** Loomis, Sayles; Manufacturers Hanover; Miller, Anderson & Sherrerd; Pacific Investment; Scudder, Stevens & Clark; Stein Roe & Farnham; T. Rowe Price.

**Real estate manager:** Eastdil.

The state treasurer serves as custodian; Wilshire Associates is the consultant.

Key personnel are Thomas Flanigan, chief investment officer; and Mr. Lee and Ms. Lewter.

## University of California

| | ($ millions) |
|---|---|
| Total assets | 8,378 |
| Defined benefit | 7,687 |
| 401(b) | 691 |
| Employer contributions | 284 |
| Benefit payments | 84 |

BERKELEY, Calif. — The University of California pension fund is preparing to divest itself of companies with operations in South Africa as a result of a state law passed in August.

Under the law, state pension funds must divest themselves of all South Africa-related stocks, between Jan. 1, 1988, and Jan. 1, 1991. New investments in companies operating there are banned as of Jan. 1, 1987.

Original estimates of the amount to be divested by the university ran as high as $3 billion, or about 36% of assets, but have declined through the recent withdrawals of some companies from South Africa.

The law also indemnifies trustees of all state funds so they cannot be held liable for losses that might result from divestiture.

In the past year, the internally managed pension fund took its first steps into international investing, placing $6.1 million in international equities.

The fund also hired Bankers Trust Co. as master custodian, replacing Bank of California.

During the year ended Sept. 30, the university's total employee benefit assets rose 47% to $8.378 billion from $5.7 billion; defined benefit plan assets rose 47.8%, to $7.687 billion; and 401(b) plan assets — similar to a corporate 401(k) — rose 38.2%, to $691 million.

Employer contributions for 1986 totaled $284 million and benefit payments, 84 million.

In addition to its international assets, the fund has $75 million in venture capital and $10 million in mortgages.

The asset mix as of Sept. 30 was 88% stocks, including venture capital, and 12% bonds, including mortgages.

Overseeing the fund are Herbert Gordon, treasurer, and Patricia Small, associate treasurer.

## Caterpillar Inc.

| | ($ millions) |
|---|---|
| Total assets | 3,617 |
| Defined benefit | 3,264 |
| Defined contribution | 268 |
| Profit-sharing | 2 |
| 401(k) | 56 |
| ESOP | 27 |
| Employer contributions | na |
| Benefit payments | na |

PEORIA, Ill. — The employee benefit assets of Caterpillar Inc., formerly Caterpillar Tractor Co., increased 18.7% to $3.617 billion from $3.048 billion in the year ended Sept. 30. Defined benefit assets alone increased 20.9% to $3.264 billion from $2.699 billion.

During the year, Caterpillar added four equity managers — Delaware Investment Advisers, Mellon Capital Management Corp., PRIMECAP Management Co. and Trinity Investment Management Corp.

It also changed its relationship with affiliates of Equitable Life Assurance Society of the United States. It dropped Equitable Investment Management Corp. as an equity manager, but retained Equitable Real Estate Investment Management Inc. as a real estate manager.

The fund has $1.161 billion in dedicated or immunized bond portfolios, $223 million in real estate equity, $190 million in foreign equities and $24 million in oil and gas.

It uses stock options, stock index futures and fixed-income futures.

The fund applies dynamic hedging to $1.3 billion of its assets, with Aetna Life & Casualty Co. as manager.

As of Sept. 30, the approximate pension asset mix was 48% stocks, 34% bonds, 10% cash equivalents and 8% real estate equity.

**Equity managers** (Domestic): Chase Investors; Citicorp; Delaware; Institutional Capital; Jennison; Mellon Capital; J.P. Morgan; Oppenheimer; PRIMECAP; State Street Research; Thorndike, Doran, Paine & Lewis; Trinity. (Domestic): Baring International; Fidelity International.

**Bond managers:** Chase Investors; J.P. Morgan.

**Real estate managers:** Aetna; Equitable; First Chicago; LaSalle Street Fund; Travelers.

Northern Trust is master trustee. Frank Russell Co. is consultant.

Key investment personnel are Fred V. Dickinson, manager-risk management and employee benefit funds, and V.A. Kane, benefit funds coordinator.

## Chevron Corp.

| | ($ millions) |
|---|---|
| Total assets | 5,898 |
| Defined benefit | 3,862 |
| Defined contribution | 2,036 |
| Employer contributions | na |
| Benefit payments | na |

SAN FRANCISCO — The master trusts of Chevron Corp. and Gulf Oil Corp. merged into one plan July 1, 1986.

The new fund terminated 10 managers and added only one — Wells Fargo.

Equity managers dropped were Equitable Investment Management Corp., Provident Investment Counsel, Stralem & Co. Inc., Avatar Associates, Cambiar Investors Inc., Putnam Advisory Co. Inc., Rollert & Sullivan Inc. and Winchester Capital Management Co. Inc.

Terminated for fixed income were Degnan & Gillespie Fixed Income Management and Mellon Bank.

In addition, G.K. Carter, formerly comptroller, was named vice president-finance for Chevron USA, the operating company; D.G. Henderson, who previously held that position, became comptroller.

The fund has $240 million in indexed stocks and approximately $589 million in guaranteed investment contracts.

Fixed income futures are used.

Investment options of the defined contribution plan include purchasing of Chevron stock, GICs or shares in American Mutual funds.

**Equity managers:** Sanford Bernstein; Estabrook; Jennison Associates; Lynch & Mayer; Mellon Capital; Rosenberg Capital; Wells Fargo.

**Bond managers:** Pacific Investment; State Street Research; STW.

**Real estate managers:** Prudential Insurance; Rosenberg Real Estate; and Travelers.

Bankers Trust is the defined benefit plan's master trustee and custodian. Mellon Bank is master trustee and custodian for the defined contribution (profit-sharing and savings) plan.

In addition to Mr. Henderson, key personnel are Neil Darling, manager-investment analysis; Robert Williamson, deputy controller; and Sellers Stough, vice president-finance.

## Chrysler Corp.

| | ($ millions) |
|---|---|
| Total assets | 3,260 |
| Defined benefit | 2,824 |
| 401(k) | 436 |
| Employer contributions | 427 |
| Benefit payments | 410 |

DETROIT — Chrysler Corp.'s pension funds discovered the stock market during 1986 following an almost total withdrawal from the equities market in 1984.

In 1984, the automaker's pension management team liquidated all its equities and set up a $1.2 billion dedicated bond fund. The dedicated bond fund was worth $2.4 billion by Sept. 30, 1986.

Morgan Stanley Asset Management Inc. replaced Manufacturers Hanover Investment Corp. as a dedicated bond manager.

During the 12 months ended Sept. 30, Chrysler increased its equity exposure to 10% of total funds from less than 1%. In the process, it set up an in-house program to run $240 million in a portfolio replicating the Standard and Poor's 500 stock index, and funded a second equity manager, Ruggles & O'Neill, with $25 million for its high-capitalization equity approach.

All the new money came out of the pension plan's cash portfolios and cash flow.

Even with the boost in equity exposure, the pension fund's fixed-income percentage increased to 72% by Sept. 30 from 71% during the year.

Powered by its favorable investment returns, Chrysler Corp.'s employee benefit assets grew 30.5% during the 12 months ended Sept. 30 to $3.26 billion from $2.497 billion.

Over the same period, the automaker's defined benefit plan assets grew 20.4% to $2 824 billion from $2.346 billion, while 401(k)/savings plan assets almost tripled, to $436 million from $151 million.

Contributions to all plans dropped to $427 million from $570 million. Benefit payments for 1986 rose to $410 million from $369 million.

Chrysler manages $739 million of its pension assets in-house: $240 million in equities; $314 million in short-term assets; $149 million in fixed income; and $36 million in other assets.

Chrysler uses options and futures for both equity and fixed income.

Its asset mix as of Sept. 30 was 72% bonds, 14% cash equivalents, 10% stocks and 4% real estate equity.

**Equity managers:** Pacific Asset; Ruggles & O'Neill.

**Bond managers:** Bankers Trust; Irving Trust; J.P. Morgan Investment Management; Morgan Stanley; National Bank of Detroit; Trust Company of the West.

**Real estate managers:** Eastdil; JMB; Prudential Insurance; RREEF.

**401(k) managers:** Massachusetts Mutual Life (GICs); Merrill Lynch (equity and fixed income).

Bankers Trust is master trustee.

Key personnel are: Frederick W. Zuckerman, vice president and treasurer; Joseph Arpin, assistant treasurer-banking; Russell P. Flynn, manager-pension fund administration; and J.F. Kassen, manager, pension fund investment.

### Largest union funds
($ millions)

| Fund | Assets |
|---|---|
| Teamsters Western Conference | 7,571 |
| Teamsters Central States | 7,070 |
| UMWA Health & Retirement Funds | 4,223 |
| Boilermakers-Blacksmiths | 1,984 |
| Bakery & Confectionery Workers | 1,600 |
| Hospital/Health Care Employees | 1,600 |
| International Operating Engineers | 1,515 |
| Teamsters New England | 1,265 |
| IAM National Pension Fund | 1,198 |
| S. Calif. Food/Commercial Workers | 1,181 |
| **Total** | **29,207** |

### Largest miscellaneous funds
($ millions)

| Fund | Assets |
|---|---|
| TIAA-CREF | 52,300 |
| University of California | 8,378 |
| United Nations | 5,884 |
| Illinois Universities | 2,483 |
| United Methodist Church | 2,416 |
| World Bank | 2,200 |
| Tennessee Valley Authority | 2,028 |
| Southern Baptist Convention | 1,767 |
| Presbyterian Church U.S.A. | 1,750 |
| National Rural Electric Co-op | 1,550 |
| Episcopal Church Pension Fund | 1,250 |
| **Total** | **82,006** |

## Public Employees' Retirement Association of Colorado

| | ($ millions) |
|---|---|
| Total assets | 6,322 |
| Defined benefit | 6,321 |
| 401(k) | 1 |
| Employer contributions | 274 |
| Benefit payments | 225 |

DENVER — Anticipating the new tax law, the Public Employees' Retirement Association of Colorado has more than doubled its investment in real estate from $100 million a year ago, investing in commercial and office buildings in San Diego, Chicago, Dallas, Los Angeles and San Francisco.

Employee benefit assets increased 25.8% in the year ended Sept. 30, to $6.322 billion from $5.024 billion a year earlier.

Employer contributions were $274 million; benefits paid out to retirees were $225 million.

The fund had $118 million in guaranteed investment contracts, $10 million in venture capital, $230 million in real estate equity and $678 million in mortgage-backed securities.

The fund uses stock options.

All of the assets are managed internally.

The asset mix as of Sept. 30 was 43.7% stocks, 25% bonds, 14.2% cash equivalents, 3.6% real estate equity, 1.8% GICs and 11.7% mortgage-backed securities.

Manufacturers Hanover is custodian of the fund. Bankers Trust and Provident National Bank serve as investment management consultants.

Norman Jaskol is deputy executive director of the fund and Norman Benedict is assistant director.

## The State of Connecticut Trust Funds

| | ($ millions) |
|---|---|
| Total assets* | 4,819 |
| Defined benefit | 4,819 |
| Employer contributions | 575 |
| Benefit payments | 340 |

*as of Aug. 31, 1986

HARTFORD, Conn. — The State of Connecticut Trust Funds made its first move into indexing during the past year, hiring Bankers Trust — Investment Management Group to manage $291 million in indexed stocks.

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Treasury management: Aug. 10

The system also hired four bond managers and one real estate manager during the year, and dropped two bond managers and one real estate manager.

The new bond managers are Pacific Investment Management; Standish, Ayer & Wood; State Street Research & Management; and STW Fixed Income Management. Scudder, Stevens & Clark and Lehman Management were terminated.

John Hancock Financial Services was hired as a real estate manager and The Travelers Cos. was terminated. The fund plans to add three more real estate managers soon: Copley Real Estate Advisors; Security Capital Real Estate; and Trust Co. of the West.

It also hired Wilshire Associates Asset Management Division to do a feasibility study on investing in international assets.

Total assets grew 30.9% in the year ended Aug. 31, to about $4.82 billion from about $3.68 billion.

The trust fund manages $1.397 billion in-house: $692 million in fixed income; $302 million in short-term securities; and $403 million in other investments, mostly in GICs and the state's Yankee Mac program, an in-state residential mortgage program.

As of Aug. 31, it had $556 million in real estate equity, an increase of more than $100 million from the previous year as the fund moves to reach its target of 15%; $327 million in mortgage-backed securities; and $73 million invested in guaranteed investment contracts.

The asset mix as of Aug. 31 was 43% stocks, 31% bonds, 6% cash equivalents, 11% real estate equity, 2% GICs and 7% mortgage-backed securities.

**Equity managers:** Aetna; Bankers Trust; Capital Guardian; Concord Capital; Connecticut National; Franklin; Glickenhaus; Oppenheimer; Phoenix Mutual; Provident Capital; Roanoke; Siebel; Wright Investors.

**Bond managers:** Bear Stearns; Loomis, Sayles; PIMCO; Standish, Ayer; State Street Research; STW.

**Real estate managers:** Aetna; Aldrich, Eastman & Waltch; CIGNA; Hancock; Heitman; JMB; Morgan Bank; McMahan; Phoenix Investment; Public Storage; State Street; RREEF.

Buck Pension Fund Consultants serves as the investment management consultant.

Key personnel are Frank McDermott, deputy treasurer-investments; Terry Helming, investment officer-fixed income; and Robert Staley, investment officer-real estate.

## d

### Delta Air Lines Inc.

| | ($ millions) |
|---|---|
| Total assets | 2,550 |
| Defined benefit | 2,200 |
| Thrift or savings | 350 |
| Employer contributions | na |
| Benefit payments | na |

ATLANTA — During 1986, Delta Air Lines Inc. began in-house management of $170 million of its $2.2 billion pension fund. Of the $170 million, $50 million was in equities (including $30 million in indexed stocks) and $120 million was in fixed income (including $40 million in mortgage-backed securities). Assets for in-house management were derived from cash flow.

Employee benefit assets increased 13.3% to $2.55 billion as of Sept. 30 from $2.25 billion a year earlier. Defined benefit assets increased 10% to $2.2 billion from $2 billion, while thrift and savings plan assets were up 40% to $350 million from $250 million.

In addition to its $30 million in indexed stocks, the fund also has $90 million in GICs. Because of a healthy foreign market, foreign equities were up 33% to $120 million from $90 million in 1985.

Venture capital commitments remained at $35 million, and $65 million was committed to leveraged buy-outs. The fund also has $40 million in mortgage-backed securities.

The approximate asset mix of pension assets as of Sept. 30 was 55% stocks, 20% bonds, 20% cash equivalents, 3% guaranteed investment contracts and 2% mortgage-backed securities.

Delta uses about 30 money managers, but would confirm only that McKenzie, Walker manages its domestic equities and Morgan Grenfell and Globe Finlay manage international equities. Delta did confirm there have been some manager changes during the year.

Harris Trust is the master trustee.

Jim Taylor is assistant treasurer-investment management, and Jim Mathews is manager-investment management.

### Detroit Retirement Systems

| | ($ millions) |
|---|---|
| Total assets* | 2,742 |
| Defined benefit | 2,742 |
| Employer contributions | 161 |
| Benefit payments | 157 |

*as of June 30, 1986

DETROIT — The Detroit Retirement Systems, comprising the General Retirement System and the Police & Fire Retirement System, had assets, at book value, of $2.742 billion, an increase of 11% from $2.469 billion during the 12-month period ended June 30.

During 1986, the police and fire system made its first allocation to a stock index fund, placing $27.8 million with Bankers Trust Co. — Investment Management Group.

The Detroit Retirement Systems also significantly boosted the amount of assets invested in venture capital and certain real estate classes.

The systems had $35.7 million committed to venture capital as of June 30, up 441% from $6.6 million the previous year. The increase was attributed to the addition of several venture capital projects. Funding for the projects came from cash flow.

The systems also had $92 million in real estate equity, up 347% from $20.6 million; $367 million in mortgages, up 60% from $230 million; and $151.6 million in mortgage-backed securities, down 32% from about $222 million.

Del Berryhill, assistant executive secretary, said part of the increase in real estate equity was due to foreclosures on property, thus giving the systems an equity ownership position. The balance of the increase in real estate equity, as well as in mortgages, was due to additional allocations.

The decrease in mortgage-backed securities, he said, primarily was the result of a number of them reaching maturity.

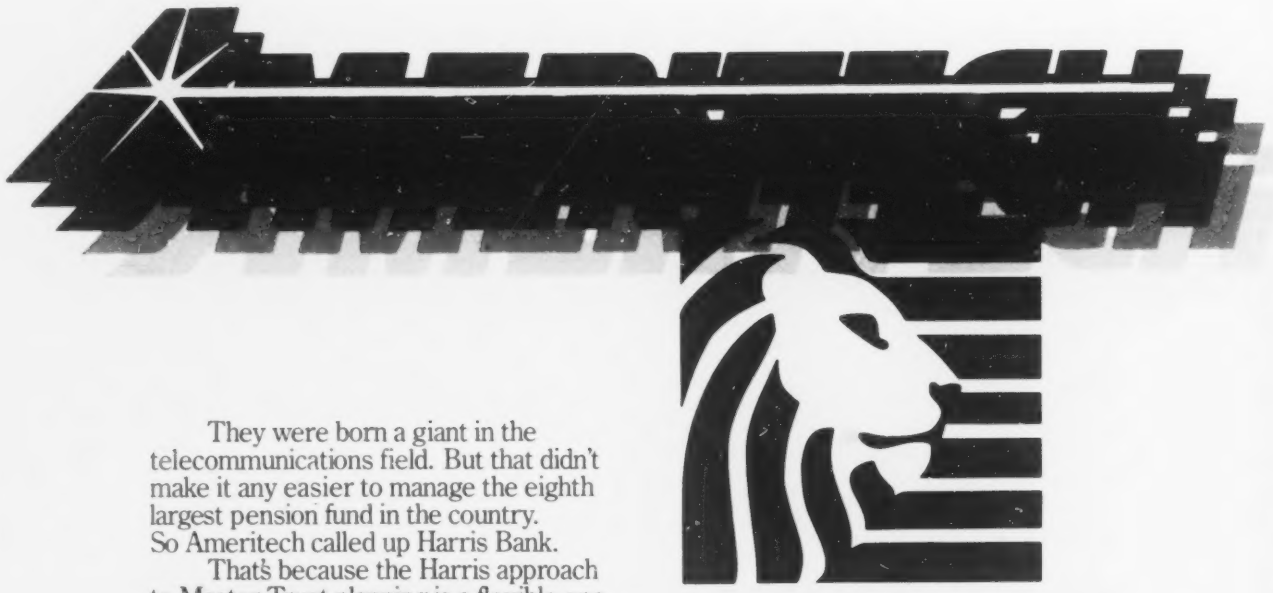
The systems manage $158.1 million internally (all in short-term instruments), up 11% from $142 million as of June 30, 1985.

Detroit also has $356 million in guaranteed investment contracts and $3 million in international fixed-income investments.

During 1986, it made pension contribution of $160.8 million and paid out $156.5 million in benefits.

The approximate asset mix of the fund as of June 30 was 25% stocks, 24% bonds, 12% cash equivalents, 3% real estate equity, 13% GICs, 14% mortgages, 6% mortgage-backed securities, 2% construction loans and 1% ven-


# When Ameritech needed a Master Trust who did they dial for information?



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ture capital.

**Managers:** AFA Financial; Bankers Trust; Boston Co; Comerica Bank-Detroit; Harbor Capital; Loomis, Sayles; Marquette Capital; Munder Capital; Oppenheimer; Putnam; Scudder, Stevens & Clark.

The custodian for the general system is Comerica Bank-Detroit while the custodian for the police and fire system is Manufacturers National Bank of Detroit.

The investment management consultant for both systems is SEI Funds Evaluation Services.

Key personnel overseeing the investment management of the funds are Fred Murphy, executive secretary, and Mr. Berryhill.

## E.I. du Pont de Nemours & Co.

| | ($ millions) |
|---|---|
| Total assets | 12,218 |
| Defined benefit | 9,985 |
| Thrift/savings/401(k) | 2,073 |
| TRASOP | 160 |
| Employer contributions | 126 |
| Benefit payments | 610 |

WILMINGTON, Del. — David F. Marvin, vice president of pension fund investment, left E.I. du Pont de Nemours & Co. to start his own investment management firm, Marvin and Palmer Associates in Wilmington last July.

He was replaced as vice president of pension fund investment by Keith E. Tucker, formerly head of fixed-income investment.

At the same time, Edward J. Basset, director of equity research, and Michael L. Schonberg, head of the equity index portfolio, were named co-heads of equity investment.

Also during the year, fund officials created a large foreign bond portfolio and made a foray into venture capital.

By Sept. 30, $1.172 billion was invested in foreign markets, an increase of 190% from the $404 million in 1985, all in foreign equities. In all, $484 million of the total was in equities, while $688 million was in fixed income as of Sept. 30.

The plan also made a $35 million commitment to venture capital, placed with Horsley Keogh.

Total du Pont employee benefit assets grew 26.4% to $12.218 billion as of Sept. 30, from $9.665 billion a year earlier.

Du Pont's defined benefit assets grew 27.3% to $9.985 billion from $7.841 billion a year earlier.

Fund officials manage almost all assets internally: $6.418 billion in equity; $3.538 billion in fixed income; and $23 million in other.

The internally run equity index portfolio was worth $2.04 billion as of Sept. 30. The portfolio was set up with a $1.22 billion investment Jan. 1, 1985. The fund also has $23 million in real estate equity and about $1.53 billion in mortgage-backed securities.

The fund uses stock index futures, fixed-income futures and bond options.

The asset mix as of Sept. 30 was 64.3% stocks, 20.2% bonds (including cash), 0.2% real estate equity and 15.3% mortgage-backed securities.

**Real estate manager:** Trammell Crow.

**Venture capital manager:** Horsley Keogh.

The custodian is Wilmington Trust Co.

Key personnel are Messrs. Tucker, Bassett and Schonberg, and Lawrence R. Starratt, head of fixed-income investment.

e

## Eastman Kodak Co.

| | ($ millions) |
|---|---|
| Total assets* | 6,631 |
| Defined benefit | 5,309 |
| 401(k) | 1,322 |
| Employer contributions | na |
| Benefit payments | na |

*P&I Age estimate

ROCHESTER, N.Y. — In 1986, the Eastman Kodak Co. pension fund invested in a leveraged buyout pool offered by Forstmann Little.

In addition, the fund hired The Boston Co. to provide active asset allocation services.

Earlier, two equity managers were added — Brignoli, Curley & Roberts and PRIMECAP Management Co. — as were two real estate managers — Lehndorff & Babson Real Estate Counsel and National Life Insurance Co. Discount Corp. of New York Advisers was hired to manage a cash portfolio.

*P&I Age* estimates Eastman Kodak had $5.309 billion in defined benefit assets and $1.322 billion in 401(k) plan assets as of Sept. 30.

Total assets were estimated at $6.631 billion, a jump of 18.8% from the previous year's estimate of $5.582 billion.

**Equity managers:** American National Bank; Analytic; Sanford C. Bernstein; Brigoli, Curley & Roberts; Fidelity Management Trust; McKenzie Walker; J.P. Morgan; Neuberger & Berman; T. Rowe Price; PRIMECAP; Rogers, Casey & Barksdale; State Street Research; Templeton; TCW; Value Line; and Waddell & Reed.

**Real estate managers:** Aetna; Equitable; Goldman, Sachs; JMB; Lehndorff & Babson; National Life Insurance; and RREEF.

**GIC managers:** John Hancock and Metropolitan.

**Venture capital manager:** Horsley, Keogh & Associates.

**Private investments:** Cawley, Gillespie & Associates.

**Cash manager:** Discount Corp.

Boston Safe Deposit is the fund's master trustee.

Key personnel are Russell L. Olson, director-pension investments, and A. Duff Lewis Jr., pension investment coordinator.

## Exxon Corp.

| | ($ millions) |
|---|---|
| Total assets | 7,550 |
| Defined benefit | 3,702 |
| Profit sharing/401(k) | 3,415 |
| ESOP | 433 |
| Employer contributions | 0 |
| Benefit payments | 785 |

NEW YORK — A spinoff/termination that recaptured $1 billion in excess pension assets was among the main news for Exxon's pension fund during 1986. As a result of the termination, assets decreased 5.7% to $7.55 billion from $8.008 billion. Defined benefit assets decreased almost 20% to $3.702 billion as of Sept. 30 from $4.627 a year earlier.

In December 1985, the fund terminated equity managers RepublicBank Dallas and First City National Bank of Houston and subsequently hired Trinity Investment Management Corp., Sanford C. Bernstein & Co. Inc. and Fidelity Management Trust.

Helen Fox O'Brien, senior financial analyst, said the change was made "to optimize our management process."

The excess assets and resulting spinoff/termination also meant the company made no employer contribution for the year, which compares to $113 million it contributed in 1985.

The amount of benefits paid to retirees in 1986 increased 44.3% to $433 million from $300 million a year earlier. A corporate operations restructuring in the summer of 1986 created a large number of early retirements among former employees, an official said.

Also in 1986, C.W. Williams, assistant treasurer, retired. He was replaced by W. Allen Harrison.

The fund's remaining asset mix consists of 58% stocks, 11% bonds, 5% cash equivalents, 3% mortgage-backed securities and 1% venture capital and oil and gas.

The total amount of assets managed internally as of Sept. 30 was $1.525 billion: $1.103 billion in equity, $189 million in short-term investments, and $233 million in fixed income.

The fund has $1.703 billion in indexed stocks, $233 in indexed bonds, $321 million invested in foreign equity, $58 million committed to venture capital, $35 million committed to oil and gas, $454 invested in real estate equity and $113 million in mortgage-backed securities.

The fund uses stock index futures.

**Equity managers** (as of Sept. 30): Sanford C. Bernstein; Citibank; Fidelity Management; Morgan Grenfell; State Street Bank; Trinity Investment; Wells Fargo Investors.

**Bond managers:** Scudder, Stevens & Clark; State Street Research.

**Real estate managers:** Aetna Life; Corporate Property Investors; Equitable Real Estate; Prudential Realty.

**Insured annuities:** Aetna; Equitable; Hancock; Prudential; Travelers.

Irving Trust is master trustee.

Key personnel are Mr. Harrison; James E. Bayne, manager of trusts and benefits finance; and Debra D. Drumheller, financial adviser.

f

## Florida State Board of Administration

| | ($ millions) |
|---|---|
| Total assets | 11,544 |
| Defined benefit | 11,544 |
| Employer contributions | 1,021 |
| Benefit payments | 474 |

TALLAHASSEE, Fla. — Total assets of the Florida State Board of Administration increased 29.5% to $11.544 billion as of Sept. 30 from $8.911 billion a year ago.

The board's contributions increased 14.6%, to $1.021 billion from $891 million. Benefit payments increased 13.9% to $474 million from $416 million.

Florida dropped two equity managers, Pioneering Management Corp. and Batterymarch Financial Management, while adding Ariel Capital Management; Barnett Banks Trust Co.; Bear Stearns Asset Management; Denver Investment Advisors; IDS Advisory Group; Sun Banks Inc. and Westwood Management Corp.

Also dropped were option managers Bear Stearns Asset Management and Balch Hardy & Scheinman Inc. and real estate manager, First National Bank of Boston.

Small- and medium-capitalization stocks received increasing emphasis with the hiring of Denver Investment and IDS, which each received $100 million.

System officials run $6.202 billion internally: $2.528 billion in equity, $3.168 billion in bonds and $506 million in short-term securities.

Among the fund's assets are $90 million in foreign denominated fixed income; $1.381 billion in a domestic stock-index fund; $582 million in real estate equity and $1.036 billion in mortgage-backed securities.

The fund uses stock options, stock index futures and fixed-income futures.

The asset mix as of Sept. 30 was 54.6% in stocks, 27% in bonds, 4.4% in cash equivalents, 5% in real estate equity and 9% in mortgage-backed securities.

**Equity managers**: Fred Alger; Alliance; Ariel; Barnett Banks; Barrow, Hanley, Mewhinney & Strauss; Bear Stearns; Delaware; Denver; Eagle; IDS; INVESCO; Lazard Freres; Prudential; Southeastern; Stein Roe & Farnham; Sun Banks; Wells Fargo; Westridge; Westwood.

**Bond managers**: Alliance; Thorndike, Doran.

**Real estate managers:** Aetna; Equitable; First Chicago Investment Advisors; Goldman, Sachs;


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and

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Morgan Grenfell Group Offices in:

Adelaide Athens Auckland Bogota Cairo Caracas Edinburgh Frankfurt Geneva Grand Cayman Guernsey Hong Kong Jersey London Madrid Melbourne Milan Moscow Nairobi New Delhi New York Paris Perth Quito Rio de Janeiro Santiago Singapore Stockholm Sydney Tokyo

December 30, 1986

Hancock; LaSalle; Prudential.

Citibank is custodian. SEI Funds Evaluation Services is the consultant.

E.J. Yelton is executive director. Fred Loopman replaced Thomas Fox as the deputy executive director for investments.

## Ford Motor Co.

| ($ millions) | |
|---|---|
| Total assets | 14,600 |
| Defined benefit | 12,200 |
| Thrift/savings/401(k) | 2,000 |
| Other | 400 |
| Employer contributions | 600 |
| Benefit payments | 800 |

DEARBORN, Mich. — Under a program started in 1986, the Ford Motor Co. pension fund separated its real estate assets from other assets run by its investment managers, said M.E. Maertens, manager-trust investments.

Previously, managers had the discretion to move in and out of asset classes, including real estate, oil and gas and international, as they deemed appropriate.

The fund also hired four real estate managers as part of the same program: Aetna Life & Casualty Co., CIGNA Corp., Security Capital Real Estate Corp. and LaSalle Advisors Inc.

During 1986, the pension fund hired Concord Capital Management, Dreman & Embry Inc. and Sanford C. Bernstein & Co. Inc., all for domestic equities. Sit Investment Associates Inc. was dropped as an equity manager.

As of Sept. 30, Ford had total employee benefit assets of $14.6 billion, up 32.7% from $11 billion the previous year. Of the total, $12.2 billion was in a defined benefit plan, $2 billion was in a combination savings/401(k) plan and $400 million was in a TRASOP/PAYSOP plan.

Mr. Maertens attributed the increase in assets to strong investment performance and appreciation of company stock, in which about half of the savings plan's assets are invested.

In 1986, Ford contributed $600 million to the defined benefit plan, down 7.7% from $650 million in 1985. The company paid out $800 million in benefits to retirees during 1986, up 14.3% from $700 million the previous year.

The fund manages $1.1 billion internally, of which $800 million is invested in fixed-income instruments and $300 million is in short-term vehicles. The fund moved the $300 million in short-term assets in-house during 1986 to meet benefit payments in 1987.

Ford's pension fund has $2 billion in a stock index fund, up 25% from $1.6 billion as of Sept. 30, 1985; $400 million in dedicated or immunized bond funds, up 33.3% from $300 million the previous year; and $1.1 billion in guaranteed investment contracts.

As of Sept. 30, the pension fund had $500 million in international equity, up 100% from the previous year; $200 million in international fixed income, up 150% from 1985; $50 million in venture capital, the same as the previous year; and $175 million in real estate equity, up 150% from 1985.

Mr. Maertens said those increases, and the elimination of oil and gas investments, were due to asset shifts by various investment managers.

Ford's pension fund uses stock index futures and fixed-income futures.

As of Sept. 30, the approximate asset mix of the pension assets was 61% stocks, 23% bonds, 5% cash equivalents, 2% real estate equity and 9% GICs.

**Equity managers:** Alliance Capital; Sanford C. Bernstein; Capital Guardian; Chase Investors; Concord; Dewey Square; Dreman & Embry; Fidelity Management Trust; Geo Capital; Hathaway; Manufacturers National Bank of Detroit; Mitchell Hutchins; J.P. Morgan; PRIMECAP; RepublicBank Dallas; Sarofim; Siebel; State Street Research.

**Bond managers:** Capital Guardian; Citicorp; Dewey Square; J.P. Morgan; T. Rowe Price; Sarofim; and State Street Research.

**Real estate managers:** Aetna; Bank of Boston; CIGNA; LaSalle Advisors; J.P. Morgan; RepublicBank Dallas; and Security Capital.

Manufacturers National Bank of Detroit is master trustee.

Key personnel are Mr. Maertens and K.C. Merrill, executive director of business development and trust investments.

A special section on leasing will be published June 15.

# g

## General Dynamics Corp.

| ($ millions) | |
|---|---|
| Total assets | 3,900 |
| Defined benefit | 2,500 |
| Thrift or savings | 1,400 |
| Employer contributions | 110 |
| Benefit payments | 86 |

CLAYTON, Mo. — General Dynamics Corp. experienced an 18.2% growth in employee benefit assets in the 12 months ended Sept. 30, to $3.9 billion from $3.3 billion. Defined benefit assets increased 19%, to $2.5 billion as of Sept. 30 from $2.1 billion a year earlier.

The fund made several changes in its investment management lineup during the period, hiring six new equity managers and one new bond manager. Ten equity managers and three bond managers were terminated. All of the company's guaranteed investment contract carriers were retained.

A company spokesman said the changes reflect a more conservative investment management approach because of the pressure on defense contractors to hold down costs.

New equity managers are: Daniel Breen & Co.; First Manhattan Capital Management; J.P. Morgan Investment Management; Rosenberg Institutional Equity Management; Sasco Capital; and Trinity Investment Management.

Equity managers terminated were: Citibank; First Pacific Advisors Inc.; A.M. Kailing & Associates Ltd.; Frank Russell Investment Management; Hellman, Jordan Management Co. Inc.; Jundt/Capen Associates; Lindner Management Corp.; Neuberger & Berman Pension Management; Provident Capital Management and Seibel Capital Management.

On the fixed-income side, General Dynamics added Mercantile Trust Co. and dropped BA Investment Management Corp.; Bankers Trust Co.; and Chase Investors.

The company also runs $1.056 billion internally: $926 million in fixed income, a 54.3% jump from $600 million last year, and $130 million in equity.

It has $192 million invested in GICs.

Employer contributions for 1986 were $110 million, down 38.9% from $180 the previous 12 months; benefits to be paid out totaled $86 million, up 43.3% from $60 million.

**Equity managers:** Alliance; Anderson, Hoagland; Daniel Breen; Campbell Advisors; Delaware Investment; Equitable; First Manhattan; Lazard Freres; Lehman; Miller, Anderson & Sherrerd; J.P. Morgan Investment; Rosenberg; Sasco; Sit Investment,

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TCW Asset Management; and Trinity.

**Bond managers:** Centerre; Discount Corp.; Mercantile Trust.

**GIC managers:** Aetna; Equitable; Hancock; Metropolitan; Mutual Benefit; Travelers.

The asset mix as of Sept. 30 was 36% stocks, 45% bonds, 11% cash equivalents and 8% GICs.

The master trustee is Chase Manhattan Bank.

S.H. Hoch is executive vice president-finance. C.D. Walbrandt is staff vice president.

## General Electric Co.

| | ($ millions) |
|---|---|
| Total assets | 22,691 |
| Defined benefit | 18,801 |
| Thrift, savings, 401(k) | 3,808 |
| ESOP | 282 |

STAMFORD, Conn. — The acquisition of RCA Corp. by General Electric Co. was consummated in 1986, and the assets of the RCA pension, savings and ESOP trusts are included with those of the GE trusts in the above aggregate data.

However, the two plans are separate. (GE adopted Financial Accounting Standards Board Statement 87 for pension accounting in 1986 for both plans.)

GE Investment Corp., an investment management affiliate of GE, has assumed lead management responsibility. GE uses outside investment managers in selected areas but declines to identify them. GE runs essentially all of its pension assets internally.

Total employee benefit assets increased 44.8% to $22.9 billion in the year ended Sept. 30, reflecting the inclusion of RCA. Defined benefit assets increased 46.1%, to $18.801 billion.

There is $2.602 billion of indexed equities, $833 million in foreign equities $261 million in foreign fixed income and $602 million in guaranteed investment contracts.

GE uses stock and bond options and stock index and fixed-income futures.

The pension asset mix as of Sept. 30 was 49.9% stocks, 28.5% bonds, 1.6% cash and 20% other, including real estate, venture capital, private placements and GICs.

The fund uses portfolio insurance, but would not say to how much of its portfolio the technique is applied.

Chase Manhattan Bank is GE's master custodian. Bankers Trust is RCA's master trustee.

F.X. Tansey left GEIC in May to join Dreyfus.

D.F. Frey, vice president-investments and treasurer at GE also serves as chairman of the board and president of GEIC. He oversees investments, along with A.S. Bahr, J.H. Myers and J.E. Bonhivert, GEIC senior vice presidents.

## General Foods Corp.

| | ($ millions) |
|---|---|
| Total assets | 2,500 |
| Defined benefit | 2,000 |
| Defined contribution | 300 |
| Other | 200 |
| Employer contributions | 14 |
| Benefit payments | 50 |

WHITE PLAINS, N.Y. — General Foods Corp.'s employee benefits assets climbed 34.8% for the year ended Sept. 30, to $2.5 billion from $1.855 billion a year earlier.

Defined benefit assets increased 31.1% to about $2 billion from the $1.526 billion reported the previous year.

The pension fund has $475 million in an indexed stock portfolio and $275 million in guaranteed investment contracts.

A small amount — $14 million — is invested in overseas equities. Venture capital commitments total $22 million, while equity real estate accounts for $80 million of fund assets.

General Foods also uses stock index futures.

As of Sept. 30, the pension fund's asset mix was 44% stocks, 26% bonds, 8% cash equivalents, 6% equity real estate and 16% GICs.

**Equity managers:** Alliance Capital; Batterymarch; BEA Associates; Chase Investors; Citibank; DLJ Capital; First Wisconsin National Bank of Madison; Jennison Associates; John Hancock; Northern Trust; Thorndike, Doran, Paine & Lewis; Trinity Investment.

**Fixed income:** Aetna Life; Bankers Trust; Citibank; Metropolitan Life; Northern Trust; Prudential Insurance.

**International:** J.P. Morgan and NM Rothschild.

**Real Estate:** JMB; J.P. Morgan; Rothschild; Prudential; Trust Company of the West.

**Venture Capital:** Rothschild and John Hancock.

Chase Manhattan Bank and Northern Trust are master trustees. Evaluation Associates is pension consultant.

Those overseeing investments are Susan C. Philbrick, manager-investments; John L. Hilty, manager-investment analysis; and Roger B. Hostetler, director-investments.

## General Motors Corp.

| | ($ millions) |
|---|---|
| Total assets | 32,900 |
| Defined benefit | 28,700 |
| Thrift or savings | 3,800 |
| Other | 400 |
| Employer contributions | na |
| Benefit payments | na |

NEW YORK — General Motors Corp. reportedly leased dynamic risk hedging software to use against about $10 billion in employee benefit assets last year.

The software was developed by Leland O'Brien Rubinstein Associates.

The fund also sold the plan's 50% interest in the Tysons Corner Center, McLean, Va., for slightly less than $100 million.

In addition, the company hired 14 new managers in the 12-month period ended Sept. 30.

Picked to run portfolios of undisclosed size or type were BEA Associates Inc.; Beekman Capital Management Ltd.; Delaware Investment Advisors; Endowment Management & Research Corp.; Franklin Portfolio Associates Inc.; Frontier Capital Management Co.; W.R. Huff Asset Management; Lehman Management Co.; MacKay-Shields Financial Corp.; Magten Asset Management Corp.; Morgan Stanley Asset Management Inc.; Provident Investment Counsel Inc.; Solomon Asset Management Inc.; and Value Line Asset Management.

As of Sept. 30, employee benefit assets had grown 25.1% from the year before, to $32.9 billion. Defined benefit plan assets had increased 25.3%, to $28.7 billion. Thrift or savings plan assets, which include 401(k) plan assets, stood at $3.8 billion, up 26.7% from $3 billion.

Other managers for the fund are:

ABD; Aetna Life; Aldrich Eastman & Waltch; American National Bank; AmeriTrust; Bank of America; Bankers Trust; Baring; Barrow, Hanley, Mewhinney & Strauss; Batterymarch; Boston Co. Energy; Boston Co. Real Estate; Capital Guardian; Chase Manhattan; Citibank; Daiwa; Delaware; Dimensional; Endowment; Fidelity International; Fidelity Management; FNB Boston; FNB Chicago; Franklin; Frontier; G.T. Capital; Harris Trust; Interfirst Dallas; INVESCO; Jennison; Kleinwort Benson; Landauer; Lazard Freres; Lehman; Lincoln Capital; MacKay-Shields; Magten; Mellon Bank; Metropolitan Life; Morgan Grenfell; Morgan Guaranty; Morgan Stanley; National Bank of Detroit; Nomura; Provident Investment; Prudential Insurance; Rowe Price-Fleming; N.M. Rothschild; Schroder Capital; Solomon; TCW Asset; Travelers Hill Samuel; United Capital; Value Line; Weiss Peck & Greer; and Wells Fargo Bank.

Master trustees are Bankers Trust, Mellon and Chase Manhattan.

W. Gordon Binns Jr. is vice president and chief investment funds officer, and R. Charles Tschampion is director-investment manager relations.

### Largest defined benefit plans ($ millions)

| Fund | Assets |
|---|---|
| California Public Employees | 37,700 |
| New York State Common Fund | 31,533 |
| New York City Retirement Systems | 29,767 |
| General Motors Corp. | 28,700 |
| American Telephone & Telegraph Co. | 25,771 |
| New York State Teachers | 20,235 |
| California State Teachers | 19,361 |
| General Electric Co. | 18,801 |
| New Jersey Division of Investment | 16,673 |
| IBM Corp. | 16,640 |
| Michigan State Employees | 13,580 |
| Ohio Public Employees | 13,567 |
| Texas Teachers | 13,198 |
| Ohio Teachers Retirement System | 12,484 |
| Ford Motor Co. | 12,200 |
| Florida Board of Administration | 11,544 |
| Wisconsin Investment Board | 11,400 |
| NYNEX Corp. | 10,089 |
| Pennsylvania School Employes | 10,078 |
| North Carolina Retirement Systems | 10,003 |
| E.I. du Pont de Nemours & Co. Inc. | 9,985 |
| Ameritech | 9,278 |
| USX Corp. | 9,000 |
| Bell Atlantic Corp. | 8,500 |
| Georgia State Retirement Systems | 8,382 |
| **Total** | **408,469** |

## Georgia State Retirement Systems

| | ($ millions) |
|---|---|
| Total assets | 8,382 |
| Defined benefit | 8,382 |
| Employer contributions | 465 |
| Benefit payments | 295 |

ATLANTA — The combined Employee Retirement System and Teachers' Retirement System shifted $160 million into indexed stocks in 1986, the only change in strategy during a year in which assets increased 38.5% to $8.38 billion as of Sept. 30 from $6.05 billion a year earlier.

Graham R. Lynch, director-division of investment services, attributed the increase to the strong performance of the bond market and the systems' heavy investments in bonds.

In addition to the $160 million in indexed equities, the system had $3 million in real estate equity, $35 million in mortgages and $120 million in mortgage-backed securities.

The assets are managed in-house, with five equity firms serving in an advisory capacity.

They are: Citizens & Southern Bank; FNB Atlanta; INVESCO; Trusco; and Thorndike, Doran, Paine & Lewis.

The asset mix as of Sept. 30 was 38% stocks, 58% bonds, 2% cash equivalents and 2% mortgage-backed securities. (Equity real estate and mortgages accounted for a negligible amount.)

The asset mix shifted slightly during the year ended Sept. 30, moving more heavily into stocks and bonds and taking some money out of cash and mortgage-backed securities.

Mr. Lynch said many of the system's Ginnie Maes matured during the year and were not replaced. Cash equivalents were transferred primarily into the new indexed stock account.

Citizens & Southern National Bank is custodian of the teachers' fund, and First National Bank of Atlanta is custodian of the employees' fund.

Key personnel in addition to Mr. Lynch are C.W. Cary, assistant director, and Nancie Boedy, bond portfolio manager.

## GTE Corp.

| | ($ millions) |
|---|---|
| Total assets | 8,962 |
| Defined benefit | 7,924 |
| Thrift or savings | 1,038 |
| Employer contributions | 274 |
| Benefit payments | 211 |

STAMFORD, Conn. — GTE Corp.'s employee benefits assets grew 33% in the year ended Sept. 30, largely because of strong performance in its U.S. and overseas stock and bond portfolios.

Employee benefits assets totaled $8.96 billion for the year, up from $6.7 billion a year earlier.

Defined benefit plan assets climbed 32% to $7.92 billion from $6 billion a year earlier.

Thrift and savings plan assets, which include a 401(k) component, increased 40% to $1.038 billion from $740 million previously.

GTE hired six managers and dropped two during the year, bringing the number of outside firms handling one or more accounts to 50.

Equity managers added were BDN Advisors, Sanford C. Bernstein & Co., Rosenberg Institutinal Equity Management, Donald Smith & Co. and Weiss, Peck & Greer. The fund also committed assets to a small-capitalization stock fund run by existing manager Frontier Capital Management.

In fixed income, GTE hired Security Capital Management.

Pioneering Management and Trustee & Investors, both equity managers, were dropped during the year.

GTE Investment Management Corp., GTE's subsidiary housing the employee benefits function, runs $1.39 billion of the company's pension assets, $172 million of which is invested in equities and $1.22 billion in fixed income.

Internally, the fund switched its fixed-income approach to passive from active by merging a nearly $1 billion active bond portfolio with an existing indexed bond portfolio. Indexed bonds now total $1.2 billion (the remaining $22 million in internal fixed-income assets represent reserve accounts).

In addition to indexed bonds, GTE has $577 million in indexed stock portfolios.

Foreign investments total more than $1 billion for equities, and $97 million for fixed income. Another $90 million is committed to venture capital; $145 million to oil and gas; $180 million to leveraged buy-out partnerships; and $65 million to equity real estate.

GTE also hedges through the use of stock options, stock index futures and fixed-income futures.

As of Sept. 30, the broad asset mix for the pension fund was 69% equity, 16% fixed income and 15% cash equivalents. No further breakout was given.

**Equity managers:** Bankers Trust; Baring International; BDN; Sanford Bernstein; BMI Capital; Cashman, Farrell; Concord Capital; Eagle Management & Trust; Fidelity International; First Manhattan; First Pacific Advisors; Franklin; Frontier Capital; Geewax, Terker; General American Advisers; Geocapital; Grantham, Mayo, Van Otterloo; G.T. Capital; Hellman, Jordan; Hotchkis & Wiley; Hutton Capital; Investment Reserves; Johnson, Valliant & Broadfoot; Morgan Grenfell; J.P. Morgan Investment Management; Oppenheimer & Co.; Pacific Financial Research; PRIMECAP; Provident Investment Counsel; Rosenberg; Rowe Price-Fleming; Schafer Capital Management; Donald Smith; Trust Co. of the West; Weiss Peck & Greer; Wertheim-Philippe; Winchester Capital.

**Fixed-income managers:** Beutel, Goodman International; Endowment Management & Research; Morgan Grenfell; PIMCO; Security Capital; Solomon Asset Management.

**Real estate managers:** Citibank; Manufacturers National Bank; J.P. Morgan; State Street Bank & Trust.

**Other** (includes venture capital, leveraged buy-outs and oil and gas): Bankers Trust; Chase Investors, Citibank; John Hancock Group Annuity; Fayez Sarofim; TCW; Kohlberg Kravis & Roberts; Forstmann Little & Co.

Bankers Trust is GTE's master trustee.

John Carroll, president of GTE Investment Management, and David Seidel, vice president-pension fund management of GTE Investment, are responsible for overseeing investment management for the fund.

# h

## Employees' Retirement System, State of Hawaii

| | ($ millions) |
|---|---|
| Total assets | 3,009 |
| Defined benefit | 3,009 |
| Employer contributions | 165 |
| Benefit payments | 146 |

HONOLULU — The Employees' Retirement System, State of Hawaii hired two domestic equity managers and one international equity manager from a field of nine finalists during the past year.

The fund hired McCowan Associates Inc. and Hanson Investment Management Co., both for domestic equities, and Schroder Capital Management International, for an international equity portfolio. Each will run $20 million.

Also during 1986, the system dropped Loomis, Sayles & Co. Inc. and switched Bernstein-Macaulay Inc. to a fixed-income portfolio from a balanced account.

The Hawaii employees' fund

had total assets of $3.009 billion as of Sept. 30, up 26.7% from the $2.374 billion it reported as of June 30, 1985.

During 1986, it made pension contributions of $165.2 million and paid out benefits of $145.6 million.

The system manages $719 million internally — $400 million in mortgage loans to the fund's participants, $150 million in guaranteed investment contracts, $80 million in capital notes, $70 million in cash equivalents, $15 million in equity and $4 million in fixed income.

As of Sept. 30, the fund had $182 million in stock index funds, up 40% from $130 million as of June 30, 1985, and $121 million in GICs, down 15% from $142 million.

The fund allocated an additional $20 million, coming from cash flow, to its stock index fund manager, Mellon Capital Management Corp. The balance of the increase in stock index assets was due to market performance.

The decrease in GICs was due to the maturation of some of the insurance contracts.

The employees' system had $281 million invested in international equities as of Sept. 30, an increase of 125%. Stanley Siu, secretary of the fund, attributed the increase to strong investment performance.

The fund invests $105.3 million in real estate equity, up from $19 million or 454% during the 15-month period. The trustees of the fund had set a target of 5% of total assets allocated to real estate equity and allocated additional money to their real estate managers toward that goal.

The retirement system also has $445 million in mortgages.

As of Sept. 30, the approximate asset mix was 37% stocks, 40.9% bonds, 3.5% real estate equity, 4% GICs and 14.6% mortgages.

**Equity managers:** Alliance Capital; Atalanta/Sosnoff; Barrow, Hanley, Mewhinney and Strauss; Delaware Investment; Hanson; INVESCO; McCowan.

**Bond managers:** Bernstein-Macaulay; Lehman Management; PIMCO; Sarofim; Scudder, Stevens & Clark; Security Pacific.

**Real estate managers:** Aetna; Connecticut General; Metropolitan.

**International managers:** Daiwa; Nomura; Schroder.

**Index manager:** Mellon Capital.

Irving Trust Co. is the fund's master custodian. SEI Funds Evaluation Services and Callan Associates Inc. are its investment management consultants.

Key personnel overseeing the investment management of the fund's assets are Mr. Siu and David Shimabukuro, assistant secretary.

## Hughes Aircraft Co.

| | ($ millions) |
|---|---|
| Total assets | 4,300 |
| Defined benefit | 3,200 |
| 401(k) | 1,100 |
| Employer contributions | na |
| Benefit payments | na |

EL SEGUNDO, Calif. — Hughes Aircraft Co. increased its assets 43.3% to $4.3 billion from $3 billion during the 12 months ended Sept. 30. No information was available on whether the plan assets were modified as a result of the purchase of Hughes by General Motors Corp. in 1985.

Defined benefits assets were up 60% in the 12-month period, to $3.2 billion from $2 billion. The 401(k) assets grew slightly, 10%, to $1.1 billion from $1 billion.

Some $1.2 billion are managed by the subsidiary, Hughes Investment Management Co. There was $300 million in equity; $300 million in fixed income; and $600 million in short-term assets managed in-house.

In addition, $120 million is invested in foreign equity; $60 million in venture capital; $20 million in oil and gas; $50 million in leveraged buy-outs; and $120 million in real estate equity.

The fund uses stock options and stock index futures.

The asset mix for the retirement benefit assets as of Sept. 30 was 69% stocks, 18% bonds, 4% real estate equity, 4% annuities and 5% other investments.

**Managers** (from Money Market Directory): Alliance; BEA; Capital Guardian; Coldwell Banker Capital Management; Dillon, Read; Forstmann-Leff; G.T. Capital; Hagler, Mastrovita; Jennison; Kurtz; Leland O'Brien Rubinstein; MacKay-Shields; McKenzie Walker; Neuberger & Berman; T. Rowe Price; Rowe Price-Fleming; PRIMECAP; RCM Capital; Reich & Tang; RREEF; TCW.

Investment managers for the salaried and hourly savings plan with a 401(k) options: Alliance; Hagler Mastrovita; Jennison; McKenzie, Walker; RCM; Scudder, Stevens & Clark; TCW Asset.

Bankers Trust is master trustee.

W. Allen Reed is the key investment officer and president of Hughes Investment Management.

## IBM Corp.

| | ($ millions) |
|---|---|
| Total assets | 18,191 |
| Defined benefit | 16,640 |
| 401(k) | 1,551 |
| Employer contributions | 89 |
| Benefit payments | 235 |

STAMFORD, Conn — IBM Corp. added Capital Guardian Trust Co. and Sasco Capital Inc. as equity managers during the past year and dropped State Street Research & Management Co.

The company's total employee benefit assets grew 30.5% for the year ended Sept. 30 to $18.191 billion from $13.939 billion.

The defined benefit assets increased 26.6% to $16.64 billion from $13.139 billion. The 401(k) plan saw growth of 93.9%, jumping to $1.551 billion from $800 million.

IBM officials manage $5.9 billion internally.

The fund invests in international, real estate, venture capital, stock and bond options and stock index and fixed-income futures.

**Equity managers:** Alliance; Bankers Trust; Citibank; Concord Capital; Capital Guardian; Cole, Yeager & Wood; Delaware Investment Advisors; Dimensional Fund Advisors; Fidelity International; Franklin Portfolio; G.T. Capital; John Hancock Venture Capital; Jennison; Lombard-Odier International; Morgan Guaranty; PM Portfolio Management; Rowe Price-Fleming International; Sasco Capital; Solomon Asset Management; State Street; TCW Asset; T. Rowe Price; Wellington Management.

**Bond managers:** Jennison; Fischer, Francis, Trees & Watts.

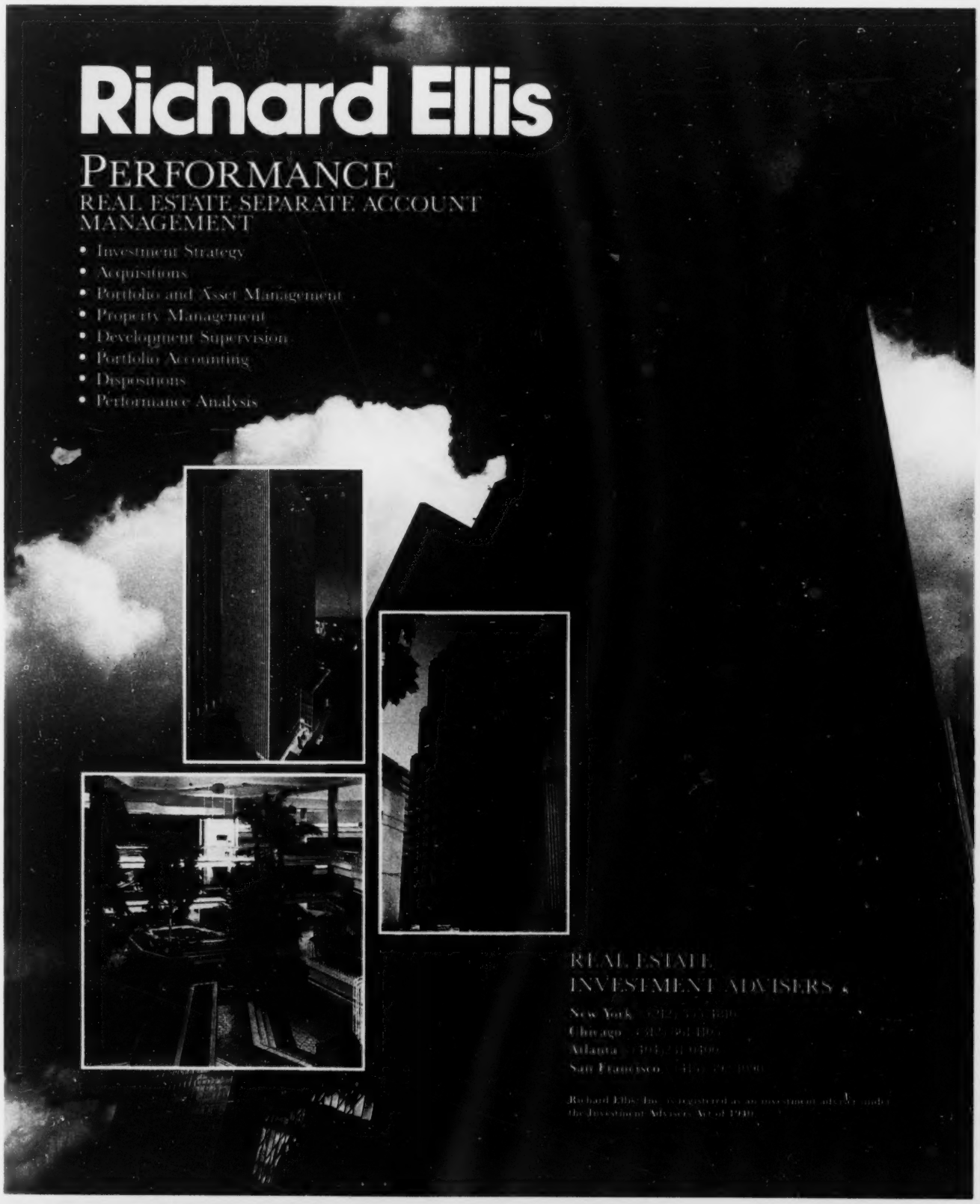
**Real estate managers:** Prudential; RREEF; Equitable.

Chase Manhattan Bank is master trustee.

The fund's investment management consulting firms are SEI Funds Evaluation, Frank Russell and Richards & Tierney.

Officials at the fund are J. Grills, assistant treasurer; W. Hoyt, director-investment strategy; and R.E. Shultz, director-U.S. retirement funds.

Master trust directory. Sept. 7.



## Illinois Municipal Retirement Fund

| | ($ millions) |
|---|---|
| Total assets | 2,980 |
| Defined benefit | 2,980 |
| Employer contributions | 130 |
| Benefit payments | 120 |

CHICAGO — The Illinois Municipal Retirement Fund made its first international investments during the past year, hiring Baring International Investment and Nomura Capital Management for a total of about $150 million.

In a separate move, the fund dropped Batterymarch Investment Management as an equity manager because of what Gerald Sebsta Jr., executive trustee of the fund, said was poor performance and the inability to improve.

The $212 million account that Batterymarch had managed was given to existing manager Dimensional Fund Advisors to run in an equity index fund. As a result, assets invested in stock index funds as of Sept. 30 increased to $334.6 million, up 236% from the $99.5 million a year earlier.

In 1986, the Illinois Municipal Retirement Fund also hired its first master trustee, Harris Trust and Savings Bank. Continental Illinois National Bank & Trust Co. of Chicago had been custodian.

Hiroshige Mori, assistant director and investment manager, said the growth in the number of managers working for the fund necessitated the hiring of a master trustee.

Illinois Municipal had $2.98 billion in assets as of Sept. 30, an increase of 28.4% from the $2.32 billion reported the previous year. Walter Koziol, assistant investment manager, attributed the increase to market performance.

The fund continued its implementation of an asset allocation policy approved in 1985. One result was the fund's internally managed, short-term portfolio increased 189% to $130 million as of Sept. 30, from $45 million the year before.

Foreign investments consist of $116.4 million in foreign equity and $34.2 million in cash equivalents.

The fund has $28 million committed to venture capital, of which about $8.9 million is invested, an increase of 287% from the $2.3 million the fund had invested the previous year.

Assets invested in real estate include $101.1 million in real estate equity and $427.9 million in mortgage-backed securities.

The asset mix as of Sept. 30 was 42.6% stocks, 26.04% bonds, 13.3% cash, 3.4% equity real estate, 14.36% mortgage-backed securities and 0.3% venture capital.

**Equity managers** (Domestic): American National Bank; Dillon, Read; Dimensional; Fidelity Management; MacKay-Shields.

(International): Baring; Nomura.

**Bond managers:** Criterion; Fidelity; Manufacturers Hanover; Neuberger & Berman; Payden & Rygel.

**Real estate managers:** First Chicago; LaSalle; Prudential; Security Capital; TCW.

**Venture capital managers:** Centennial Fund; First Chicago Venture; Oxford Venture.

A.S. Hansen is investment management consultant.

Key personnel are Robert L. Cusma, executive director, Mr. Mori and Mr. Koziol.

The money mover scorecard will be published Feb. 9.

## Teachers' Retirement System of the State of Illinois

| | ($ millions) |
|---|---|
| Total assets* | 5,952 |
| Defined benefit | 5,952 |
| Employer contributions | 238 |
| Benefit payments | 360 |

*as of June 30, 1986

SPRINGFIELD, Ill. — The Teachers' Retirement System of the State of Illinois made its first allocation to a bond index fund during the first quarter of 1986. The fund hired State Street Bank and Trust Co. to run $587 million.

The fund also made its first allocation to foreign fixed-income investments, placing $66 million with First Chicago Investment Advisors to run in an international dollar bond account and an international non-dollar bond account, said Charles F. Hofer, investment officer of the fund.

The teachers' system dramatically boosted its international equity exposure to $277 million from $22 million. The bulk of that increase came from a $220 million allocation to State Street to run in a Morgan Stanley Capital International Europe Australia Far East index fund.

During the fourth quarter of 1986, the fund hired Capital Supervisors Inc. to manage $150 million in equities, replacing Batterymarch Financial Management. The retirement system also allocated an undisclosed amount to First Chicago Investment Advisors to run in an equity account.

The teachers' system also hired Bennett and Kahnweiler Realty Advisors but had not allocated assets to the firm as of June 30.

Assets of the fund increased 33%, to $5.952 billion from $4.474 billion between Oct. 1, 1985 and June 30, 1986.

Employer contributions for 1986 were $238 million; benefits paid to retirees during 1986 were $360 million.

Besides the bond index fund, the retirement system has $1.516 billion invested in stock index funds, an increase of 74% from $870 million in 1985.

The teachers' fund also had $14 million invested in venture capital; $125 million invested in real estate equity; and $384 million in mortgage-backed securities.

The asset mix as of June 30 was 49% stocks, 36.6% bonds, 5.6% cash equivalents, 2.1% real estate equity, 6.5% mortgage-backed securities and 0.2% venture capital.

**Equity managers:** Alliance Capital; American National of Chicago; Ariel Capital; Cedar Hill; CMB Investment; Kemper.

**Bond managers:** Bear Stearns; Dreyfus Management; Marine Investment; PIMCO; State Street Bank; T. Rowe Price.

**Real estate managers:** Bennett and Kahnweiler; F.I.A. Associates; First Chicago Investment; JMB; TCW.

**International managers:** State Street Bank and First Chicago.

**Venture capital managers:** Frontenac.

Harris Trust is master trustee; Callan Associates Inc. is consultant.

Key personnel are Samuel W. Anderson, executive director, and Mr. Hofer.

## Illinois State Universities Retirement System

| | ($ millions) |
|---|---|
| Total assets | 2,483 |
| Defined benefit | 2,483 |
| Employer contributions | 94 |
| Benefit payments | 94 |

CHAMPAIGN, Ill. — The Illinois State Universities Retirement System underwent a major realignment in July, more than doubling its passive investments, making its first international commitment, increasing its real estate investments and adopting portfolio insurance, also called dynamic hedging.

Wells Fargo Investment Advisors was hired to manage about $657 million in a stock index fund tracking the Wilshire 5,000, $246 million tracking the Salomon Brothers Broad Investment Grade bond index and $118 million in an international stock index fund tracking the Morgan Stanley Capital International Europe Australia Far East index.

About $34 million also went to Wells Fargo as cash used in the portfolio insurance program. Of the total $2.483 billion, $2.146 billion is covered by portfolio insurance.

In real estate, the system committed $50 million to Aetna Life & Casualty's Real Estate Separate Account and $37 million to RREEF.

Four managers were terminated in the restructuring: American National Bank, which had managed $445 million in passive equities but is still handling money temporarily until the bank finds a like-kind fund to replace the universities' fund; Dimensional Fund Advisors, $51 million in passive equities; Lehman Management, $330 million in active bonds; and Criterion Investment Management, $42 million in a balanced account.

In addition, Charles M. Hundley left the retirement system in August to become a vice president with Northern Trust. He had been associate director since 1980. No replacement has been named yet.

As of Sept. 30, the fund grew 31.7%, to $2.483 billion from $1.886 billion the previous year. Contributions were up 13.3% to $94 million from $83 million. Benefits paid out to retirees were down 7.8% to $94 million from $102 million.

The fund had $787 million in indexed stocks, a 111% increase from the previous year's $373 million. That includes $144 million in foreign stock index funds.

There was $10 million in GICs, a drop of 37.5% from $16 million a year earlier. Real estate equity was up 124% to $193 million from $86 million. The fund also committed $87.4 million to mortgage-backed securities.

The fund uses stock and bond options and stock index and fixed-income futures.

The asset mix as of Sept. 30 was 54% stocks, 28.6% bonds, 6% cash equivalents, 7% real estate equity, 0.4% GICs and 4% mortgage-backed securities.

**Equity managers:** American National; Wells Fargo; Fayez Sarofim; and Batterymarch.

**Bond managers:** Wells Fargo and Pacific Investment.

**Real estate managers:** Aetna Life and RREEF.

The fund's custodian is Northern Trust; Ennis, Knupp & Associates is the investment consultant.

Overseeing the fund is Jeanne Valcik, pension and investment analyst.

## Iowa Public Employees Retirement System

| | ($ millions) |
|---|---|
| Total assets | 3,341 |
| Defined benefit | 3,341 |
| Employer contributions | 119 |
| Benefit payments | 120 |

DES MOINES, Iowa — The Iowa Public Employees Retirement System reduced its in-house short-term equity assets to $99 million in 1986 from $286 million to accumulate money to distribute to new managers.

Fund officials made their first commitments to venture capital, real estate and leveraged buy-outs during the past year; hired Mellon Capital Management early in 1986 to run a balanced account of about $200 million; and hired Prudential Asset Management Co., Rosenberg Capital Management, IDS/Advisory Group and Value Investors as new equity managers.

System officials increased equity exposure to 31% during the year ended Sept. 30, from 26% a year earlier; the target is 40%.

Assets increased 26.7% to $3.341 billion as of Sept. 30 from about $2.636 billion a year earlier. Officials attributed the rise to an influx of contributions and to market appreciation.

Indexed stocks and bonds make up $79 million and $53 million of the assets, respectively.

The fund has committed $19.5 million to venture capital, $75 million to leveraged buy-outs, $113 million to equity real estate and $282 million to mortgage-backed securities.

The asset mix as of Sept. 30 was 31% stocks, 55% bonds, 3% cash equivalents, 3% real estate equity and 8% mortgage-backed securities.

**Equity managers**: Batterymarch; Capital Guardian; IDS Advisory; Mellon Capital; Provident Capital; Prudential Asset; Rosenberg; Value Investors; Wellington Management.

**Bond managers**: Boston Co.; Criterion; Loomis, Sayles; Miller, Anderson & Sherrerd; J.P. Morgan.

**Real estate managers**: Copely; Heitman; JMB; Security Capital.

**Venture capital managers**: Cable Howse; Interven Partners; Invest America; Lawrence Venture Associates; Steinberg & Lyman.

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Morgan Guaranty Trust is the custodian; Wilshire Associates is the consultant.

Key investment personnel are Maurice Baringer, administrator; Dennis L. Jacobs, deputy administrator; and Larry Thompson, investment officer.

## ITT Corp.

| | ($ millions) |
|---|---|
| Total assets | 2,482 |
| Defined benefit | 1,633 |
| Profit-sharing | 33 |
| Thrift or savings | 662 |
| Other | 154 |
| Employer contributions | na |
| Benefit payments | na |

NEW YORK — ITT Corp. hired three new equity managers and one fixed-income manager in 1986.

ITT's new domestic equity managers are Fred Alger Management Inc., Management Asset Corp., and GAMCO Investors Inc.

EdwinJ. Ehrlich, director of pension funds, said ITT hired Management Asset and GAMCO because he was looking for solid value managers and he was impressed by the strong track records of both firms.

One domestic equity manager, Crocker Investment Management Corp., was terminated.

On the fixed-income side, State Street Research & Management Co. was hired by ITT.

Mr. Ehrlich said that when Crocker National Bank sold its SIMCO subsidiary to Alger, ITT hired Alger. SIMCO had been a balanced manager for ITT, and he said he was pleased with the firm's performance. Mr. Ehrlich said when Alger was hired, the equity money that SIMCO was managing was left with Alger but the fixed-income funds were given to State Street Research.

The company had $2.482 billion in total assets as of Sept. 30, up 20.5% from $2.06 billion last year.

Defined benefit plan assets rose 20.9% to $1.633 billion from $1.351 billion last year.

ITT manages $426 million inhouse: $219 million invested in equities; $143 million in fixed income; $50 million in short term instruments; and $14 million in real estate.

The fund has $85 million invested in indexed stocks and $127 million in GICs.

In addition, as of Sept. 30 it had $123 million invested in international equities; $84 million in real estate equities; $6 million in oil and gas; and $11 million in leveraged buy-outs.

The fund uses stock index futures.

The asset mix is 65.2% stocks; 23.9% bonds; 4% cash equivalents; and 6.9% real estate equities.

The Northern Trust Co. is ITT's master trustee and custodian.

**Equity managers**: Alliance Capital; Alliance Capital International; Fred Alger; Barrow, Hanley, Mewhinney & Strauss; Capital Guardian; First Manhattan; GAMCO; G.T. Capital; Jennison; Lazard Freres; Management Asset; Manufacturers Hanover; Northern Trust; Verus Capital.

**Real estate managers:** Coldwell Banker; Corporate Property Investors; Equitable Real Estate; Metropolitan Life; RREEF.

**Fixed-income managers**: Morgan Guaranty; State Street Research & Management.

Edwin J. Ehrlich is director of the ITT pension fund trust. Eileen Leahy is manager of the pension fund trust.

*Pensions & Investment Age*'s directory of investment advisers will run May 25.

# k

## Kansas Public Employees' Retirement System

| | ($ millions) |
|---|---|
| Total assets | 2,773 |
| Defined benefit | 2,773 |
| Employer contributions | 100 |
| Benefit payments | 125 |

TOPEKA, Kan. — During the year, the Kansas Public Employees' Retirement System put up $1.2 million as financing for investors to buy limited partnership units in Capital Research Management Group Ltd., which will invest in high-technology companies, particularly those within the state.

The system's assets totaled $2.773 billion as of Sept. 30, a 25.1% increase from the $2.216 billion reported a year earlier.

Employer contributions increased 7.5%, to $100 million from $93 million, while benefit payments rose 14.7%, to $125 million from $109 million.

During the year, Kansas Employees added a bond manager — Bank IV — in November of 1985 assigning it $50 million.

Of the $211.2 million run inhouse, $110.9 million is in fixed income and $100.3 million is in a mortgage pass-through program.

The fund has $51.4 million in real estate equity and $90.3 million in mortgage-backed securities.

The fund uses stock and bond options and stock index and fixed-income futures.

As of Sept. 30, the asset mix was 38% stocks, 43% bonds, 14% cash equivalents, 2% real estate equity and 3% mortgage-backed securities.

**Equity managers**: Capital Supervisors; Investment and Capital Management; Market Research and Management; Pilgrim, Baxter, Hoyt & Greig; Provident Investment; Reimer & Koger.

**Bond managers**: Bank IV; Robert C. Brown; Investment Management Group; Pacific Investment Management.

**Real estate manager**: J.W. O'Connor.

**Cash manager**: Payden & Rygel.

**Securities lending**: Marine Midland Bank.

The custodian is Commerce Bank and Trust, Topeka. Its investment management consultant is Callan Associates.

Key personnel are Michael K. Russell, chairman of the board of trustees, and Marshall Crowther, executive secretary.

The cash management survey will be published Nov. 2.

# l

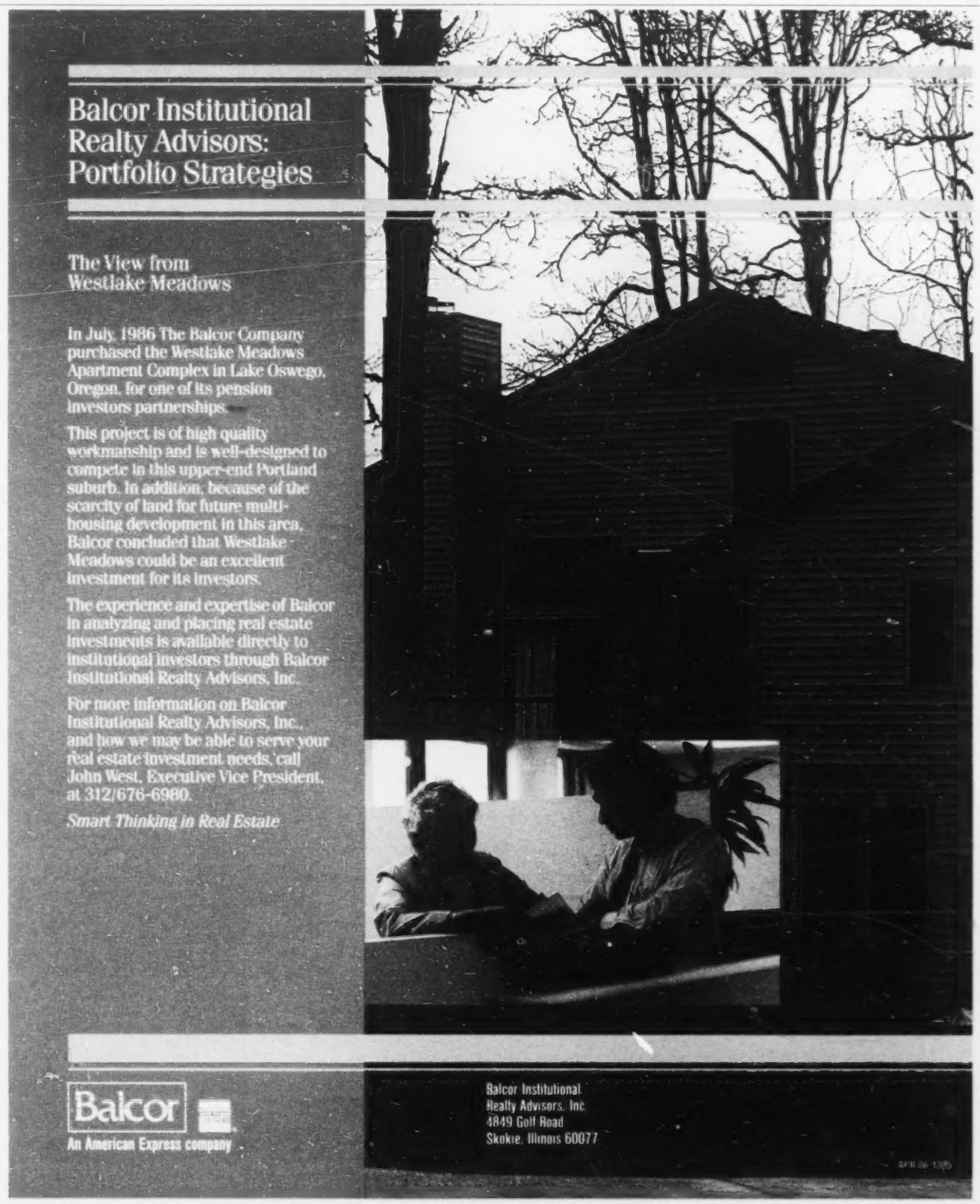
## Lockheed Corp.

| | ($ millions) |
|---|---|
| Total assets* | 6,085 |
| Defined benefit | 4,311 |
| 401(k) | 1,774 |
| Employer contributions | na |
| Benefit payments | na |

*P&I Age estimate*

CALABASAS, Calif. — Lockheed Corp. added Pacific Financial Research as an equity manager for its defined contribution plan in early 1986, replacing Wertheim Asset Management Services Inc., a balanced manager.

In October, Lockheed took over the management of $299 million in employee benefit assets for Sanders Associates Inc., a defense

electronics firm. The $153.5 million in defined benefit assets and the $145.5 million in defined contribution plan assets for Sanders is being kept administratively separate.

As a result of the addition of Sanders' benefit plan assets, one new manager was added to the Lockheed stable of managers, Wright Investors' Service.

Total employee benefit assets (excluding the Sanders plans) increased 39% to $6.085 billion from $4.373 billion between Dec. 31, 1984, and Sept. 30, 1986, according to a *Pensions & Investment Age* estimate.

**Defined benefit plan managers:** Alliance Capital; Anhalt/O'Connell; Bankers Trust; Batterymarch; Capital Guardian; Century Capital; Chase Investors; Citicorp; Delaware; First Interstate Bank of Washington; Forstmann-Leff; Karsten; Lombard Odier; Mellon Bank; J.P. Morgan; Royal Trust; Security Pacific; Smith Barney; TCW; and Western Asset.

**Defined contribution managers:** Bankers Trust; Delaware; Forstman-Leff; Manufacturers Hanover; Pacific Financial; Sarofim; and TCW.

Bankers Trust is the master trustee and is used for performance measurement of plan assets. Geroge C. Weintz, investment counsel, oversees assets.

## Los Angeles County Employees' Retirement Association

| ($ millions) | |
|---|---|
| Total assets* | 7,293 |
| Defined benefit | 7,055 |
| Defined contribution | 208 |
| Thrift or savings | 5 |
| 401(k) | 25 |
| Employer contributions | 345 |
| Benefit payments | 327 |

as of June 30, 1986

LOS ANGELES — The Los Angeles County Employees' Retirement Association made its first venture capital investments in the third quarter of 1986, allocating $50 million to Warburg Pincus Capital Co. limited partnership, offered by E.M. Warburg Pincus & Co., New York, and about $30 million to Copley Partners I and Copley Partners II, offered by Copley Venture Partners, Boston.

Late in 1986, the county retirement board was in the process of allocating about $900 million to international investments. About half of the amount would be managed passively.

Earlier in 1986, the trustees continued their real estate investing by committing $10 million to an opportunity real estate investment fund, Trammell Crow Equity Partners, Dallas.

Also, Charles Spencer was appointed fund administrator. Previously, Richard B. Dixon, former treasurer and tax collector and recently named chief administrative officer for the county, had been responsible for investment management.

Assets for the retirement system increased about 27% to $7.293 billion as of June 30, from $5.747 billion a year earlier. Total employer contributions for 1986 were $345 million and benefits paid out, $327 million.

The fund manages $1.101 billion internally: $352 million in short-term instruments; $501 million in fixed income; and $248 million in mortgages.

Its alternative investments are: $80 million committed for venture capital; $121 million in real estate equity; $248 million in mortgages; and $1.122 billion in mortgage-backed securities.

As of June 30, the asset mix was 33% stocks, 27.9% bonds, 16% cash equivalents, 1.7% real estate equity, 3.5% mortgages, 15.9% mortgage-backed securities and 2% in fixed account receivables.

**Equity managers:** Capital Guardian; Loomis, Sayles; Massachusetts Financial Services; Security Pacific Investment Managers; Stein Roe Farnham.

**Bond managers:** Brown Brothers Harriman; Capital Guardian; CMB Investment; Criterion Investment; Massachusetts Financial; J.P. Morgan.

**Real estate managers:** Heitman; Goldman, Sachs; John McMahan; Prudential Asset; Security Capital; Equitable; TCW; Trammell Crow; Karsten.

**Venture Capital:** E.M. Warburg Pincus; Copley Venture.

Security Pacific National Bank, Los Angeles, is the master custodian; Callan Associates, San Francisco, is the consultant.

Mr. Spencer oversees the investment management.

## Teachers' Retirement System of Louisiana

| ($ millions) | |
|---|---|
| Total assets | 2,609 |
| Defined benefit | 2,609 |
| Employer contributions | 185 |
| Benefit payments | 275 |

BATON ROUGE, La. — In a move toward specialty management effective Jan. 1, the Teachers' Retirement System of Louisiana redeployed its existing money managers, terminated one and hired five others.

Massachusetts Financial Services; Scudder, Stevens & Clark; and Hibernia National Bank, formerly balanced managers, will oversee bond portfolios. Massachusetts Financial and Scudder were allocated $450 million each, and Hibernia was tapped for $200 million.

Citicorp Investment Management, also a former balanced manager, was given $150 million for equities.

M.D. Sass Investors Services, which managed $25 million in equities, was terminated because of performance.

The system hired Criterion Investment Management and Centerre Trust to each manage $450 million bond portfolios. The fund also hired three equity managers: The Boston Co. for a $250 million account; INVESCO Capital Management for a $175 million portfolio; and Eagle Asset Management for $75 million.

The fund retained SEI Funds Evaluation Services in June after SEI purchased Merrill Lynch Consulting Corp., formerly the system's consultant.

In-house short-term investments decreased $50 million to $300 million because the system was more "fully invested," said Jennifer Netterville, investment portfolio specialist. The fund also does the trading for all of its assets.

It invests $290 million in mortgage-backed securities.

The fund's assets increased 23.6% to $2.609 billion as of Sept. 30 from $2.11 billion the previous year.

The asset mix as of Sept. 30 was 16% stocks, 62% bonds, 11% cash equivalents and 11% mortgage-backed securities.

**Equity managers**: Boston Co.; INVESCO; Eagle Asset; Citicorp.

**Bond managers**: Massachusetts Financial; Scudder, Stevens & Clark; Hibernia; Criterion; Centerre.

City National Bank, Baton Rouge, is the custodian.

Key investment personnel are Ms. Netterville and Carleton C. Page, secretary-treasurer.

The cash management survey will be published in the Nov. 2 issue of *Pensions & Investment Age*.

### Largest profit-sharing plans ($ millions)

| Fund | Assets |
|---|---|
| Sears Roebuck & Co. | 4,292 |
| Exxon Corp. | 3,415 |
| Procter & Gamble Co. | 2,761 |
| Bechtel Power Corp. | 1,400 |
| Motorola | 925 |
| Hewlett-Packard | 798 |
| Halliburton Savings Plan | 774 |
| Northrop Corp. | 714 |
| Martin Marietta Corp. | 558 |
| Philip Morris Inc. | 501 |
| Shell Oil Co. | 409 |
| Unocal Corp. | 354 |
| Cooper Industries Inc. | 150 |
| Textron Inc. | 131 |
| CIGNA Corp. | 93 |
| New York Life Insurance Co. | 71 |
| ITT Corp. | 33 |
| American Stores Co. | 10 |
| Raytheon Co. | 10 |
| Sun Co. | 9 |
| Armco Inc. | 7 |
| McDermott International Inc. | 5 |
| Ashland Oil Inc. | 2 |
| Caterpillar Inc. | 2 |
| Tenneco Inc. | 1 |
| Total | 17,425 |

m

## Maryland State Retirement and Pension Systems

| ($ millions) | |
|---|---|
| Total assets* | 6,778 |
| Defined benefit | 6,778 |
| Employer contributions | 514 |
| Benefit payments | 401 |

*as of June 30, 1986

BALTIMORE — The Maryland State Retirement and Pension Systems experienced rapid growth in internally run portfolios as of June 30.

Total assets run in-house grew 62%, to $4.1 billion June 30 from $2.5 billion Sept. 30, 1985. An equity index fund, which replicates the Standard & Poor's 500 stock index, grew 47% to $2.69 billion from $1.83 billion, outperforming all the fund's active equity managers, according to Enos Throop Jr., director-equity programs.

The amount managed internally in fixed income more than doubled, to almost $1.4 billion from $687 million.

The pension fund grew 35% during the nine months, to $6.778 billion as of June 30 from $5.02 billion, primarily because of favorable investment returns but also because of positive cash flow.

The fund appears not to have suffered from the imposition of a two-year moratorium on new investments in securities of companies that have not signed the Sullivan Principles, which deal with apartheid in South Africa, according to Mr. Throop.

During the period, the fund released one equity manager — Johnson, Valliant & Broadfoot.

The fund has $67 million in mortgages and $933 million in mortgage-backed securities.

As of June 30, the asset mix was 58% equities, 25% bonds, 3% cash equivalents, 1% in mortgages and 13% in mortgage-backed securities.

**Equity managers:** Alliance Capital; Atlanta Capital; Capital Guardian; Dimensional Fund Advisors; Eaton Vance; Hagler, Mastrovita & Hewitt; Investment Advisers; Investment Counselors of Maryland; MacKay-Shields; Scudder, Stevens & Clark; State Street Management & Research; Wellington Trust.

**Bond managers:** Investment Counselors of Maryland; Mercantile Safe Deposit & Trust; Miller, Anderson & Sherrerd; Morgan Stanley; PIMCO; Standish, Ayer & Wood.

The custodian is First National Bank of Maryland.

Key personnel are Howard J. France, executive director-investments; Mr. Throop; and Arthur M. Lynch Jr., director-fixed-income programs.

## Massachusetts State Employees & State Teachers Annuity Funds

| ($ millions) | |
|---|---|
| Total assets | 3,475 |
| Defined benefit | 3,475 |
| Employer contributions | 300 |
| Benefit payments | na |

BOSTON — Total assets in the Massachusetts State Employees & State Teachers Annuity Funds grew 19.1% to $3.475 billion as of Sept. 30, from $2.917 billion a year earlier.

During 1986, the fund followed through on its plan to increase the proportion of assets invested in stocks. Alan R. West, chief investment officer, said that as of Sept. 30, about $900 million, or about 26% of total assets, was invested in stocks, compared with 12.1% a year earlier.

The boost in equities included the fund's first move into international equities, with an allocation of $25 million. No new managers were hired as a result of the increase in equities.

The fund in 1986 also began investing in real estate equity, with $12 million, about 0.5% of total assets, invested in a real estate fund Mr. West did not identify. A year earlier the fund reported no investments in real state equity.

Mr. West said fund trustees had wanted to invest even more in real estate during 1986, but representatives of its investment management consulting firm, Massachusetts Fiduciary Advisors Inc., advised against it because of poor performance in real estate.

About $1.8 billion was managed internally in fixed income, including mortgage-backed securities. This represents a drop of $764 million from the previous year, accounted for by the increased equities.

In addition to its international and equity real estate investments, the fund had $100 million in indexed stocks, $50 million in foreign fixed income and $1 million in venture capital.

The fund's asset mix Sept. 30 was 26% stocks, 51% bonds, 2.5% cash equivalents, 0.5% in real estate equity and 20% mortgage-backed securities.

**Equity managers:** Colonial Advisory Service; Eaton, Vance Management; Gardner and Preston Moss; Hagler, Mastrovita & Hewitt; Independence Investment Associates; One Federal Asset Management; Rampart Investment Management; Ruggles & Crysdale; Standish, Ayer & Wood; State Street Research; Thorndike, Doran, Paine & Lewis.

**Bond managers:** Endowment Management & Research; Fiduciary Management Trust; Gardner and Preston Moss; Miller, Anderson & Sherrerd; Pacific Investment Management; Standish, Ayer & Wood; State Street Research.

**Real estate managers:** First Chicago Investment; Copley Real Estate.

State Street Bank & Trust is the master trustee and custodian.

In addition to Mr. West, key personnel are Robert Q. Crane, treasurer and chairman; and Paul Bullman, commissioner of the State Banking Department.

## McDonnell Douglas Corp.

| ($ millions) | |
|---|---|
| Total assets* | 5,735 |
| Defined benefit | 4,407 |
| 401(k) | 1,328 |
| Employer contributions | 349 |

*as of June 30, 1986

ST. LOUIS — According to the 1987 Money Market Directory, McDonnell Douglas has $5.735 billion in employee benefit assets as of June 1986, up 16.7% from $4.914 billion a year earlier.

Employer contributions to all benefit plans for 1986 increased 12.9% to $349 million from $309 million in 1985, according to Money Market Directory.

According to Money Market Directory, the fund dropped Concord Capital, Dimensional Fund Advisors and Nomura Capital during 1986.

The company's asset mix was unavailable.

**Managers:** Aetna Capital; Aetna Life; Bankers Trust; Centerre Trust; LaSalle Advisors; RREEF; TCW Realty.

The master trustee for the pension fund is Bankers Trust.

Key personnel are David Hammerstein, director-retirement funds management; Sheryl Kwiatek, senior investment analyst; Kenneth Velten, plan administrator; and James Tisius, director-financial planning.

## Metropolitan Life Insurance Co.

| ($ millions) | |
|---|---|
| Total assets | 2,828 |
| Defined benefit | 2,150 |
| Thrift or savings | 570 |
| 401(k) | 50 |
| Other | 58 |
| Employer contributions | 69 |
| Benefit payments | 126 |

NEW YORK — Metropolitan Life Insurance Co.'s total employee benefit assets climbed 12% during the year ended Sept. 30, to $2.8 billion from $2.5 billion a year earlier.

The greatest increases came from its thrift and savings plan assets, including its 401(k) option. Thrift and savings plan assets increased 9.6% for the period to $570 million from $520 previously. The 401(k) option doubled in assets to $50 million, bringing total thrift assets for the insurer to $620 million at the end of September.

Defined benefit plan assets rose to $2.15 billion, an 8.6% increase from $1.98 billion reported a year earlier.

Employer contributions to all plans in 1986 were expected to total $69 million, while benefits payments to retirees were $126

million.

Met Life runs all its own pension plan assets internally. It has about $100 million invested in guaranteed investment contracts and $215 million in real estate equity.

As of Sept. 30, the asset mix was 25% equities, 60% fixed income, 10% real estate equity and 5% GICs.

The insurer's corporate management office oversees the investment management. J.L. Rubsam, administrator, has day-to-day responsibility.

## Michigan State Employees' Retirement Systems

| | ($ millions) |
|---|---|
| Total assets* | 13,580 |
| Defined benefit | 13,580 |
| Employer contributions | 834 |
| Benefit payments | 639 |

*as of Aug. 31, 1986

LANSING, Mich. — Assets of the Michigan State Employees' Retirement Systems increased 29.1% to $13.58 billion in the 11 months ended Aug. 31.

Employer contributions increased 5.4% to $834 million, while benefit payments increased 14.5% to $639 million.

The fund continued its activity in real estate and venture capital during 1986. It committed $50 million to the Trammell Crow Equity Partners real estate opportunity fund and $6 million to Interven Partners, a venture capital partnership. It also made several direct investments in venture-backed companies.

Late in the year, it also committed $40 million to Warburg, Pincus Capital Corp.'s venture capital fund and $20 million to Berkshire Partners' leveraged buy-out fund.

The fund has $130 million in venture capital, $65 million in leveraged buy-outs, $103 million in real estate equity, $1.46 billion in mortgages and $980 million in mortgage-backed securities.

The entire fund is managed internally. As of Aug. 31, the approximate asset mix was 44% stocks, 23% bonds, 13% cash equivalents, 11% mortgages, 7% mortgage-backed securities, 1% real estate equity and 1% venture capital.

The funds are composed of the State Employees' Retirement System; Public School Employees' Retirement System; State Police Pension, Accident Disability Fund; Judges' Retirement System; and Probate Judges' Retirement System.

The state treasurer acts as master custodian.

Key investment personnel are W.A. Amerman, director; and G.H. Linsday, Barry L. Stevens and Michael J. Finn, assistant directors.

## Minnesota State Board of Investment

| | ($ millions) |
|---|---|
| Total assets* | 8,658 |
| Defined benefit | 8,222 |
| Other | 436 |
| Employer contributions | na |
| Benefit payments | na |

*as of June 30, 1986

ST. PAUL, Minn. — The Minnesota board put 10 of its active equity managers on incentive fees, effective July 1.

Firms that agreed to the incentive fee plan were Alliance Capital Management Corp.; IDS Advisory Group; Investment Advisers Inc.; Norwest Bank; BMI Capital Corp.; Hellman, Jordan Management Co. Inc.; and Waddell & Reed Inc. It was unknown which of the remaining managers — Fred Alger Management Inc.; Beutel Goodman Capital Management Inc.; Forstmann-Leff Associates Inc. and Lieber & Co. — were also put on incentive fees.

The managers would receive a fee as high as 1% of assets managed if performance exceeded the normal portfolio return by 1,000 basis points. No fee would be paid for underperformance by 600 basis points or more; the objective was to beat the normal portfolio by 200 basis points and get a base fee of 50 basis points, or one-half of a percentage point.

In late September, the board added Superior Ventures to its lineup of venture capital firms, giving it $6 million.

In May, Beth Lehman replaced Teresa Myers as assistant to the director.

Total employee benefit assets grew 27.3% during the year ended June 30 to $8.658 billion from $6.8 billion. The defined benefit assets grew 20.9% to $8.222 billion from $6.8 billion. There was $435.6 million in other benefits plans, mostly in a 457 plan.

The fund manages $3.356 million internally: $2.475 million in fixed income and $881 million in equities. The internal assets increased 24.3% from $2.7 billion.

The Minnesota board has $1.994 billion in indexed stocks and $2.286 billion in a dedicated bond portfolio. It recently received approval to use stock index futures.

There is $143.5 million committed for venture capital, including leveraged buy-outs. An additional $67.5 million is allocated to oil and gas investments.

The fund has $325 million invested in real estate equity; the amounts allocated for mortgages and mortgage-backed securities were not available.

The approximate asset mix as of June 30 was 45.5% stocks, 41.1% bonds, 8.4% cash equivalents, 3.6% real estate equity and 1.4% venture capital and oil and gas.

**Equity managers:** Alger; Alliance Capital; Beutel Goodman; BMI; Forstmann-Leff; Hellman, Jordan; IDS; Investment Advisers; Lieber; Norwest Bank (or Peregrine Capital); Waddell & Reed; Wilshire (passive).

**Bond managers:** Investment Advisers; Lehman; Miller, Anderson & Sherrerd; Morgan Stanley; Peregrine; Western Asset.

**Real estate managers:** Aetna Life; Equitable; Heitman; Prudential; RREEF; State Street Bank; TCW.

**Venture capital and leveraged buy-out managers:** Allied Capital; DSV; Inman & Bowman; Investment Advisers; KKR; Matrix; Norwest Venture Capital; Smith Barney Venture; Summit Ventures; Superior.

**Oil and gas managers:** AmGO; Apache.

State Street Bank and Trust is

master trustee; Richards & Tierney became the fund's consultant July 1.

Key personnel are Howard Bicker, executive director; Jeff Bailey, assistant executive director; and Roger Henry, equity and fixed-income manager.

## Public Employees' Retirement System of Mississippi

| | ($ millions) |
|---|---|
| Total assets | 2,716 |
| Defined benefit | 2,637 |
| Other | 79 |
| Employer contributions | 165 |
| Benefit payments | 132 |

JACKSON, Miss. — The Public Employees' System of Mississippi terminated four money managers in a move to index 50% of its equity and fixed-income assets.

Scudder, Stevens & Clark and Eaton Vance Management were terminated as equity managers, and Wentworth Hauser & Violich and MacKay-Shields Financial were terminated as fixed-income managers.

The fund hired Wells Fargo Investment Advisors to manage $300 million in a fixed-income indexed fund, and allotted $160 million to Lehman Management to track a customized bond index.

The fund had $250 million in indexed stocks and $620 million in indexed bonds as of Sept. 30.

The Mississippi system also increased its stock holdings to 22% from the previous year's 16.9% following passage of a state law that increased the ceiling on equity holdings to 35% from 20%.

In a personnel change, Eddie Vandiver became deputy director of investments in March after Charles D. Wilkinson left to pursue personal business interests.

Mr. Vandiver previously had been the investment manager at a casualty insurance company in Jackson, Miss.

Fund assets increased 10.2% to $2.716 billion as of Sept. 30 from $2.465 billion a year earlier. The bulk of the money is in a defined benefit plan, although there is $79 million in a deferred compensation plan.

The fund invests $506 million in mortgage-backed securities.

The asset mix as of Sept. 30 was 22% stocks, 50.4% bonds, 9% cash equivalents and 18.6% mortgage-backed securities.

**Equity managers**: INVESCO; Fayez Sarofim; Bankers Trust.

**Bond managers**: Dreyfus; Criterion Investment; Lehman; Manufacturers Hanover; PIMCO; Wells Fargo.

Trustmark National Bank is the master custodian; SEI is the consultant.

Key personnel are Mr. Vandiver; Ronald D. Logan, investment manager; and Anne D. Middleton, investment technician.

## Public School Retirement System of Missouri

| | ($ millions) |
|---|---|
| Total assets* | 3,274 |
| Defined benefit | 3,274 |
| Employer contributions | 140 |
| Benefit payments | 129 |

*as of June 30, 1986

JEFFERSON CITY, Mo. — Assets of the Public School Retirement System of Missouri rose 10.8% to about $3.27 billion as of June 30, from about $2.95 billion a year earlier.

Employer contributions increased 18.6% to $140 million for 1986, while benefit payments increased 12.1% to $129 million.

The fund has $10 million in mortgages and $774 million in mortgage-backed securities.

As of June 30, the approximate asset mix was 10% stocks, 59% bonds, 7% cash equivalents and 24% mortgage-backed securities.

Fund officials had considered diversifying the investment manager lineup, but to date Boatmen's National Bank remains the sole manager. It also is the fund's master custodian. David W. Mustoe, executive secretary, said he could not comment further on possible management changes.

Mr. Mustoe is the fund's key investment staffer.

## Mobil Oil Corp.

| | ($ millions) |
|---|---|
| Total assets | 3,930 |
| Defined benefit | 2,180 |
| Defined contribution | 1,610 |
| Other | 140 |
| Employer contributions | na |
| Benefit payments | na |

NEW YORK — The $3.93 billion in pension fund assets reported by Mobil Oil Corp. relate to the pension plan for the company's 38,095 domestic employees as of Sept. 30.

A year earlier, the company reported total assets of $4.553 billion in pension fund assets for 69,500 employees, the work force for the company's domestic and overseas operations and its subsidiaries. Those subsidiaries included Montgomery Ward & Co. Inc., Chicago; Container Corp. of America, Chicago, which Mobil sold in 1986; and W.F. Hall Printing, Chicago, which was sold in November 1985.

During 1986, industry sources reported the corporation hired a "farm team" of two minority-owned money management firms and a firm headed by a woman, which were being groomed to manage assets for the pension fund. Ariel Capital Management Inc., Chicago; Brown Capital Management Inc., Baltimore; and Westwood Management Corp., New York, each was allocated $1 million of corporate assets.

As of Sept. 30, those three were not among pension fund managers listed by the company.

Also during 1986, R.B. Hahnen, who had been Mobil's internal manager of money markets and foreign exchange investments, was named manager of corporate benefits-finance, the key position in the pension fund. He replaced Charles Clune, who was expected to retire at the end of 1986.

The fund reported $420 million in dedicated or immunized bonds; $70 million in GICs; and $120 million in mortgage-backed securities as of Sept. 30.

The asset mix as of the same date was 49% in equity accounts and 51% in fixed-income accounts and insurance, including mortgage-backed securities.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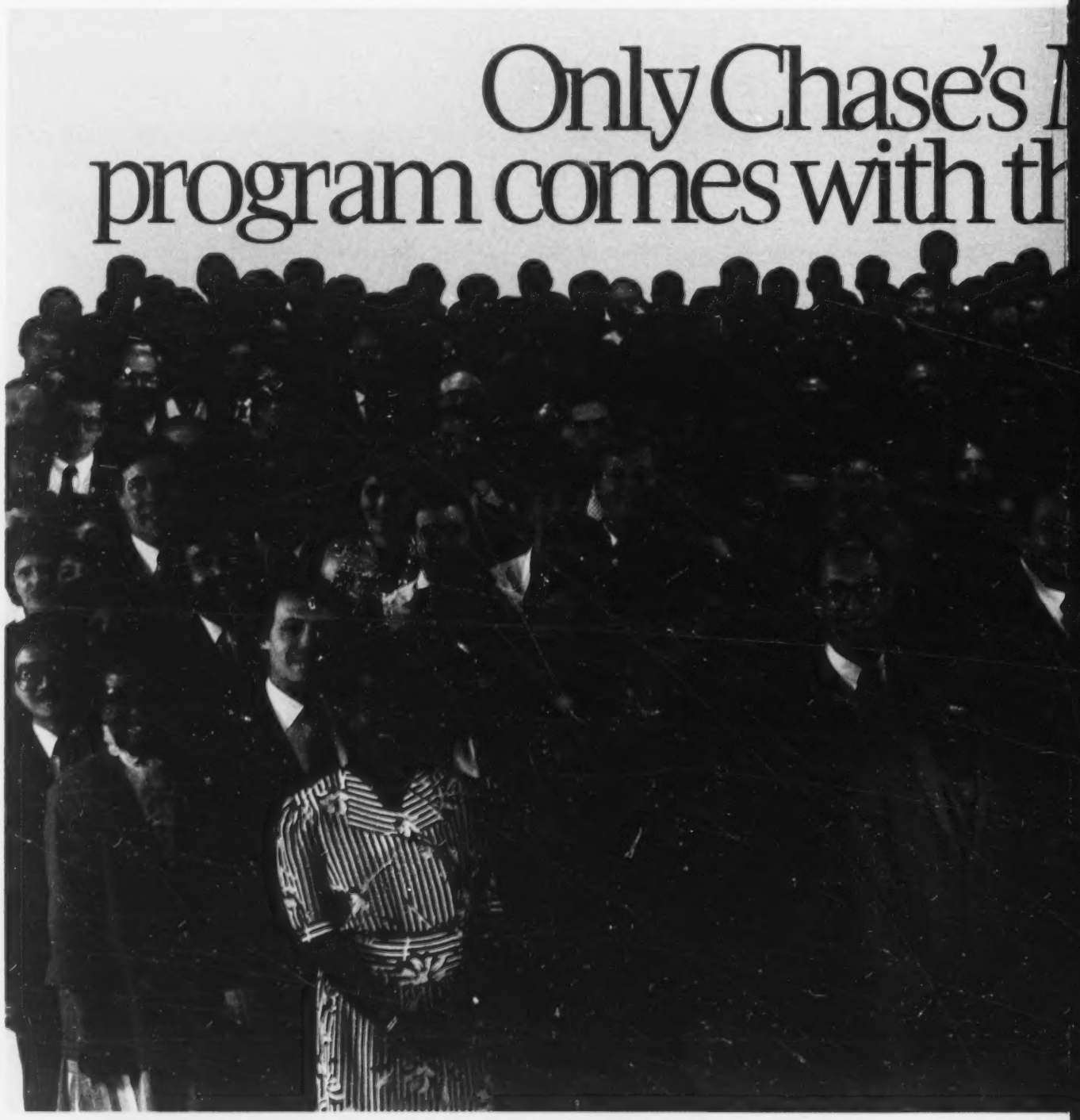

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**Equity managers:** Alliance Capital; Bankers Trust; Capital Guardian; Chase Ivestors; Citicorp Investment; Jennison Associates; Miller, Anderson & Sherrerd; Fayez Sarofim; State Street Research.

**Bond managers:** State Street Research; U.S. Trust.

**GIC managers:** Aetna Life; Metropolitan Life.

U.S. Trust is master trustee.

Mr. Hahnen oversees investment management.

## Monsanto Co.

| | ($ millions) |
|---|---|
| Total assets | 3,280 |
| Defined benefit | 2,520 |
| Thrift or savings/401(k) | 660 |
| Other | 100 |
| Employer contributions | 30 |
| Benefit payments | 200 |

ST. LOUIS — In June, Monsanto Co. hired William Searcy as manager-pension assets to replace Richard McGahan, who joined Fred Alger Management. Mr. Searcy had been director-benefits investment management at ENSERCH Corp., Dallas.

Although the asset mix remained relatively unchanged from a year earlier, the pension fund did make some drastic changes within categories during the 12 months ended Sept. 30.

Its international equity investments more than doubled during the period, to $311 million from $150 million, an increase fund officials attributed mostly to market appreciation.

Its allocation to guaranteed investment contracts dropped 96.7%, to $10 million from $300 million, when maturing contracts were used to meet benefit payments.

Total assets of the Monsanto Co. plan grew 13.1% during the 12 months ended Sept. 30, to $3.28 billion from $2.9 billion. Defined benefit plan assets grew 9.6%, to $2.52 billion from $2.3 billion. The company also had thrift plan assets of $660 million and an IRA/PAYSOP with $100 million in assets; those plans increased 26.7% from a combined $600 million a year earlier.

Monsanto made employer contributions of $30 million in 1986, a drop of 75% caused by the company's implementation of the Financial Accounting Standards Board Statement 87. Its benefit payments were $200 million, an increase of 66.7%.

In addition to its $311 million in international equity, the fund has $30 million in international fixed income, $10 million in oil and gas, $205 million in real estate equity and $10 million in mortgages.

Its asset mix as of Sept. 30 was 64% stocks, 18% bonds, 10% cash and 8% real estate equity.

The fund uses stock and bond options, and stock index and fixed-income futures.

Although Monsanto officials would not identify pension fund managers, following is a list of firms believed to be managing fund assets.

**Managers:** Centerre Trust; Citicorp Investment; Delaware Investment; Equitable; Fischer, Francis Trees & Watts; Hotchkis & Wiley; Jennison Associates; LaSalle Advisors; Lincoln Capital; J.P. Morgan; T. Rowe Price; Rowe Price-Fleming; State Street Research.

Northern Trust is master trustee; Frank Russell is investment management consultant.

A.E. Wolfarth, assistant treasurer, oversees investment of the assets with Mr. Searcy.


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## New Jersey Division of Investment

| | ($ millions) |
|---|---|
| Total assets* | 16,901 |
| Defined benefit | 16,673 |
| Thrift or savings | 228 |
| Employer contributions | 760 |
| Benefit payments | 920 |

*as of June 30, 1986

TRENTON, N.J. — Buoyed by strong market gains, The New Jersey Division of Investment's equity allocation rose to 47% for the year ended June 30, up from 31% the year before.

Equity returns of 40%, nearly 400 basis points better than the Standard & Poor's 500 stock index, helped boost the fund's stock allocation, explained Roland M. Machold, director.

The value of employee benefit assets increased 35.2% from the year before, to $16.901 billion from $12.494 billion.

Deferred compensation and supplemental annuity collective trust assets rose to $228 million from $127 million the year before.

Meanwhile, the investment division embarked upon a state-mandated program of divesting South Africa-related securities. A division report said the program had increased state funding requirements, reduced diversification and quality of stock holdings and generated additional transaction costs.

In addition, a bill affecting holdings in companies that do business in Northern Ireland passed the state Senate and awaits action by the Assembly. The legislation would require disclosure about company compliance with the fair employment MacBride Principles.

The fund has $1.3 billion invested in mortgages and $425 million in mortgage-backed securities.

The fund uses stock options.

The asset mix as of June 30 was 46% stocks, 40% bonds, 3% cash equivalents, 8% mortgages, and 3% mortgage-backed securities.

A group of 12 banks serves as custodian.

Overseeing the pension fund are Mr. Machold; William P. Mooney, deputy director; and Stephen Kornrumpf, assistant director.

## New York City Retirement Systems

| | ($ millions) |
|---|---|
| Total assets | 30,839 |
| Defined benefit | 29,767 |
| Defined contribution | 1,072 |
| Employer contributions | 2,470 |
| Benefit payments | 2,508 |

NEW YORK — Four funds of the $30.839 billion New York City

Retirement Systems dramatically reshuffled fixed-income assets in 1986, adding and terminating a number of managers.

The $12.5 billion New York City Employees' Retirement System, the $1.64 billion New York City Fire Department Pension Fund, the $4.6 billion New York City Police Department Pension Fund and the $11.7 billion New York City Teachers' Retirement System redistributed fixed-income assets among corporate, government, mortgage-backed and foreign sectors.

The New York City Retirement Systems' $30.839 billion in assets comprises $26.550 billion overseen by City Comptroller Harrison J. Goldin and $4.289 billion in variable annuity program assets overseen by the trustees of the teachers' system.

Mr. Goldin's office makes all investments for three of the five New York City funds — the employees, the police and the fire funds. In addition, the office oversees fixed-income investments for the two other funds — the more than $500 million Board of Education Retirement System and the teachers' funds.

During 1986, the New York City Systems initiated a program in which small, minority-owned financial firms with limited pension fund exposure will work with larger, established firms to manage money for the fund.

The employees' fund successfully filed suit in a U.S. District Court to compel American Brands Inc., New York, to place before shareholders a proxy resolution that requires the company to adhere to the MacBride Principles, a standard aimed at companies doing business in Northern Ireland to evaluate fair employment practices.

The New York City systems also approved divestiture of $156 million of stocks of companies doing business in South Africa.

Employee benefit assets of the fund increased 23.2% to $30.839 billion as of Sept. 30, from $25.063 billion the previous year.

Of the $26.55 billion in assets managed by the comptroller's office, internally managed fixed income was reduced because of maturing New York City securities in the plan. Those assets were transferred to an internally managed cash account.

In restructurings involving $13.1 billion in fixed-income assets and $4 billion in transfers to fixed income from cash, officials of the New York City fire and employees' funds chose 20 managers overall, 17 new ones and three existing ones, each handling portions of one or more of the funds.

In its restructuring, the police fund selected 10 new managers, reassigned another and terminated two firms.

Allocations came from the reduction of Fiduciary Trust's account and from terminated accounts handled by Citibank and Lehman Management Co.

In December 1986, the police fund terminated Alliance Capital, reallocating the assets to Dimensional Fund Advisors, an existing manager.

Because of the restructurings, Citicorp, which had managed $10.2 billion for the city funds in June, lost all but $290 million, which it manages for the Board of Education fund.

The $4.289 billion in assets overseen by teachers' plan trustees includes $3.217 in defined benefit assets and $1.072 billion in defined contribution assets.

Employer contributions totaled $510 million as of Sept. 30 and benefit payments to retirees were $384 million.

The New York City Teachers' Retirement System's variable annuity programs include a tax-deferred annuity, variable fund A, which is invested in equities, and variable fund B, which is invested in guaranteed investment contracts.

The teachers' fund includes $7.437 billion in fixed income managed by the New York City Comptroller's office.

During the year, Variable Fund A terminated Geo Capital Corp., giving the $26.5 million the firm had managed to a passive equity account with Wells Fargo. It also reassigned $15 million from Management Asset Corp. to Wells Fargo.

Fund A also hired Great American Core Investors to manage a $25 million passive account of American depository receipts replicating the Morgan Stanley Capital International Europe Australia Far East index.

Variable Fund B hired the Bank of America to manage $106.9 million in a Federal Deposit Insurance Co.-insured time-deposit account, and New York Life Insurance to manage $224.9 million in GICs.

In December, the fund moved $100 million from Bankers Trust's indexed stock portfolio to a dynamically hedged portfolio managed by the firm.

The teacher's variable annuity programs had $2.114 billion invested in indexed stocks as of Sept. 30.

The asset mix as of the same date was approximately 79% equity and 21% GICs.

The New York City system's asset mix, excluding the teachers' fund, was 24% stocks; 44% bonds; 19% cash equivalents; 1% mortgages; 12% mortgage-backed securities.

**NYC retirement equity managers:** Alliance Capital; Bankers Trust; Batterymarch; BEA Associates; Dimensional Fund Advisors; Lazard Freres; Oppenheimer; Provident Capital; Stein Roe & Farnham.

**Teachers' equity managers:** Alliance; Axe; Bankers Trust; Concord Capital; John A. Levin; Management Asset; McConnell, Miller; Mellon Bank; Prudential; Scudder, Stevens & Clark; Donald Smith; Trinity Investment; Valuequest; Wells Fargo; Westwood.

**NYC retirement fixed-income managers:** Bankers Trust; BEA Associates; Bear Stearns Asset; Chase Investors; Citicorp; Fiduciary Trust; Fisher Francis, Trees & Watts; Investment Advisers; Kennedy Associates; Lincoln Capital; Lehman Management; Manufacturers Hanover; Mellon Bank; Miller, Anderson & Sherrerd; Pacific Investment; T. Rowe Price; Putnam Advisory; Rosenberg Capital; Smith Barney, Harris Upham; State Street Bank; Weiss, Peck & Greer; Wells Fargo Investment.

**Teachers' fixed-income managers:** Bankers Trust; Chase Investors; Fiduciary Trust; Fischer, Francis; Lehman; Mellon Bank; Miller, Anderson & Sherrerd; Pacific Investment; T. Rowe Price; Putnam Advisory; Rosenberg Capital; Smith Barney; Weiss, Peck & Greer; Wells Fargo.

**Teachers' GIC managers:** Bank of America; Metropolitan; Prudential; New York Life.

NYC's custodian is Citibank. The teachers' fund's master trustee is Irving Trust; the consultant is Rogers, Casey, Barksdale.

At the NYC fund, Marvin L. Damsma, third deputy comptroller; Robert T.C. Wilson, bureau chief; John J. Burns, senior fixed-income analyst; and Lisa M. Malanchuk, senior equity analyst, oversee investments.

At the teachers' fund, key personnel are: Wallace Sullivan, executive director; Patrick Kiernan, assistant executive director; and Diane Sisenwein, portfolio administrator.

## New York State Common Retirement Fund

| ($ millions) | |
|---|---|
| Total assets | 31,533 |
| Defined benefit | 31,533 |
| Employer contributions | 1,600 |
| Benefit payments | 1,100 |

ALBANY, N.Y. — In 1986, the New York State Common Retirement Fund hired United Mutual Life Insurance Co., a black-owned New York firm, to jointly manage a $100 million equity portfolio previously solely run by Equitable Investment Management Corp.

In addition, a new state law requires the fund to monitor companies in which it invests for compliance with the MacBride Principles. Those principles govern fair employment by U.S. firms in Northern Ireland. The law encourages the fund to invest in companies that make advancements in fighting job bias in Northern Ireland and to sell off stocks of recalcitrant companies.

The fund also filed shareholder resolutions with 121 companies to ask them to withdraw from South Africa unless apartheid is dismantled by May 1987.

The fund allowed the state to skip two annual contributions totaling $1.4 billion to the fund, but ended a practice of paying contributions two years late. The skipped contributions will be amortized over 17 years, with 8% interest paid on the amount.

In mid-1986, the fund committed to a venture capital partnership run by Bridge Capital, and also invested in Corporate Property Investors, a real estate investment trust.

Also during 1986, the fund committed more than $300 million into leveraged buy-outs, bringing the total in LBOs to $380 million.

In late 1985, the fund hired Wells Fargo, Miller, Anderson & Sherrerd and Delaware Investment Advisers as equity managers, and terminated Bank of New York.

Total assets of the fund grew 21.3% in the 12 months ended Sept. 30, to $31.53 billion from about $26 billion.

Employer contributions for 1986 were expected to total $1.6 billion; benefit payments were expected to be $1.1 billion.

About $26.9 billion is managed internally: $9.92 billion in equity; $13.15 billion in fixed income; $1.09 billion in short-term instruments; and $2.7 billion in mortgages.

The internally managed stock index fund rose 42%, to $9.92 billion, primarily driven by stock market gains.

The fund has $90 million committed to venture capital, $59 million in real estate equity, $2.71 billion in mortgages and $2.7 billion in mortgage-backed securities.

As of Sept. 30, the fund's asset mix was 45.5% stocks, 33.1% bonds, 3.4% cash equivalents, 0.2% real estate equity, 8.6% mortgages, 8.6% mortgage-backed securities and 0.6% venture capital and LBOs.

**Equity managers:** Alliance Capital; Capital Guardian; Delaware; Equitable; Lazard Freres; Lord Abbett; Miller, Anderson & Sherrerd; Oppenheimer Capital; J&W Seligman; Shearson American Express; Wells Fargo.

**Real estate managers:** Corporate Property Investors; Eastdil; Goldman, Sachs.

**Venture capital:** Bridge Capital; Crossroads; Excelsior; Montgomery Bridge; New York State Business Venture Partnership; Peregrine Ventures; U.S. Ventures.

**Leveraged buy-outs:** Kohlberg Kravis Roberts; Forstmann Little.

Chase Manhattan is the master trustee; Wilshire Associates was hired as consultant during 1986.

John E. Hull is director of investments and cash management; John J. O'Connor is chief investment officer; and William M. Barrett is director of equities and fixed-income investments.

## New York State Teachers' Retirement System

| ($ millions) | |
|---|---|
| Total assets | 20,235 |
| Defined benefit | 20,235 |
| Employer contributions | 951 |
| Benefit payments | 632 |

ALBANY, N.Y. — The New York State Teachers' Retirement System grew by 32.2% to $20.235 billion as of Sept. 30, from $15.303 billion as of June 30, 1985, largely because of good equity performance.

The fund recently began using stock index futures and uses stock options internally as they see fit.

Employer contributions to the pension plan were $951 million; benefit payments were up 18.8% to $632 million.

The fund manages $16.056 billion internally: $6.2 billion in equity; $7.433 billion in fixed income; $343 million in short-term investments; and $2.080 billion in mortgages.

Short-term investments plunged by nearly $600 million when the fund added three managers — General American Advisors; Glickenhaus & Co.; and Pilgrim, Baxter, Hoyt and Greig — in October 1985.

The fund has $5.977 billion in indexed stocks; $304 million invested in real estate equity; $2.08 billion in mortgages; $865 million in mortgage-backed securities; and $50 million protected by portfolio insurance.

The asset mix as of Sept. 30 was 42.5% stocks, 37.9% bonds, 1.5% cash equivalents, 1.5% real estate equity, 10.3% mortgages; 4.3% in mortgage-backed securities and 2% in member loans.

**Equity managers:** BEA Associates; Sanford C. Bernstein; Beutel, Goodman; General American; Glickenhaus; Lehman Management; Manufacturers Hanover Investment; Oppenheimer; and Pilgrim, Baxter, Hoyt and Greig.

**Bond manager:** Sanford C. Bernstein.

**Real estate managers:** Aetna; Equitable; Goldman, Sachs; Prudential.

**Venture capital managers:** Excelsior 2; Mesirow Capital Partners II; New York State Business Venture; Norstar Venture Partnership.

Bankers Trust is custodian.

Key personnel are Harold N. Langlitz, executive director; Edward J. Reno Jr., securities investment officer; Lowell A. Blom, mortgage officer.

## North Carolina Retirement Systems

| ($ millions) | |
|---|---|
| Total assets* | 10,003 |
| Defined benefit | 10,003 |
| Employer contributions | 744 |
| Benefit payments | 463 |

*as of June 30, 1986

RALEIGH, N.C. — The assets of the North Carolina Retirement Systems increased 14.5% over 12 months to $10.003 billion (book value) by June 30.

The system is in the process of installing a computer system that will enable its assets to be priced at market value.

In 1986, the fund hired a new real estate equity manager, Security Capital Real Estate Corp., for an undisclosed amount.

The 1986 contribution of $744 million is from the state and from employees.

All but $101 million is managed in-house: $2.114 billion in equities; $7.763 billion in fixed income; and $25 million in short-term assets. Outside equity and bond managers act in advisory roles, only.

There is $125 million invested in real estate equity and $65 million in mortgages.

The fund uses stock options.

The asset mix as of June 30 was 14.5% equities; 74.7% bonds; 3.3% cash equivalents; 1% real estate equity; and 6.5% mortgages.

**Equity advisers:** Alliance Capital; First Citizens Bank; First Union Capital; NCNB; Thorndike Doran/Wellington; Wachovia Bank.

**Bond adviser:** Duff & Phelps (credit analysis only).

**Real estate managers:** Aetna Life; CIGNA Capital; Goldman, Sachs; Security Capital.

Bank of New York is custodian.

C. Douglas Chappell is deputy treasurer and director of the investment and banking division.

## Northrop Corp.

| ($ millions) | |
|---|---|
| Total assets | 2,702 |
| Defined benefit | 1,988 |
| Defined contribution | 714 |
| Employer contributions | 120 |
| Benefit payments | 40 |

LOS ANGELES — Northrop Corp. employee benefit assets increased 26.1% to $2.702 billion as of Sept. 30 from $2.142 billion a year earlier.

The $714 million defined contribution plan assets include a profit-sharing plan and 401(k) assets.

Employer contributions decreased 7.7% to $120 million; benefit payments increased 11.1% to $40 million.

The asset mix as of Sept. 30 was 68% stocks, 24% bonds and 8% cash.

**Equity managers:** Capital Guardian; Forstmann-Leff; Jennison Associates; Putnam Advisory; Rosenberg Capital; State Street Research.

**Bond managers:** Fischer, Francis, Trees & Watts; Jennison Associates.

Bankers Trust is master trustee.

Richard B. Lohrer, treasurer, oversees employee benefit assets.

## NYNEX Corp.

| ($ millions) | |
|---|---|
| Total assets | 11,962 |
| Defined benefit | 10,089 |
| Defined contribution | 1,589 |
| ESOP | 284 |
| Employer contributions | na |
| Benefit payments | na |

NEW YORK — NYNEX Corp.'s defined benefit fund made its first move into real estate, outside its inherited TREET holdings, and international investments.

But the core of its investment strategy remains passive, with 49%, or $4.9 billion, of its nearly $10.1 billion pension fund in stock index and bond index funds as of Sept. 30.

In real estate, the fund split $70 million among Aldrich, Eastman & Waltch; Corporate Property Investors; Heitman Advisory; and John McMahan Associates. It left undisturbed its $621 million in the Telephone Real Estate Equity Trust, set up by American Telephone & Telegraph Co.

In international, it hired ABD International Management Corp. and Mellon-Pictet International Management Ltd., giving each between $20 million and $50 million, although NYNEX would not confirm the hirings.

In other manager changes in 1986, the fund hired Trinity Investment Management and Fidelity Management Trust, both for

domestic equities, while it released United States Trust Co. in domestic fixed income.

In the largest chunk of its passive core, NYNEX had $3.855 billion in equity index funds as of Sept. 30 with American National Bank, Wells Fargo Investment Advisors and Dimensional Funds Advisors. The latter two managers were hired in fall 1985. The amount in equity indexing was up 35.3% from $2.85 billion a year earlier.

Also, it had $1.068 billion in indexed bonds, down 11% from the $1.2 billion the previous year.

NYNEX's total employee benefit assets rose 26.6% in the year ended Sept. 30 to $11.962 billion from $9.447 billion.

The employee stock ownership plan alone rose 53.5% to $284 million.

The fund has $4.38 million in venture capital and $691 million in real estate equities.

Its asset mix as of Sept. 30 was 59% stocks, 33% bonds, 1% cash equivalents and 7% real estate equity.

**Equity managers** (Domestic): American National Bank (Chicago); Batterymarch; Dimensional Fund Advisors; Fidelity Management Trust; Manufacturers Hanover; McCowan Associates; Trinity; TCW; Wertheim.

(International): ABD; Mellon-Pictet.

**Bond managers:** Boston Co.; Brown Brothers Harriman; Hancock; Jennison; Lincoln Capital; Manufacturers Hanover; Massachusetts Financial Services; Miller, Anderson & Sherrerd; Standish, Ayer & Wood; State Street Research.

**Real estate managers:** Aldrich, Eastman & Waltch; Corporate Property Investors; Heitman; John McMahan; TREET.

**Venture capital manager:** Manufacturers Hanover.

Mellon Bank is master trustee.

Overseeing the fund are L.R. Smart, corporate director-finance, and J.E. Clines, director-investment management.

## Ohio Public Employees' Retirement System

| ($ millions) | |
|---|---|
| Total assets | 13,567 |
| Defined benefit | 13,567 |
| Employer contributions | 630 |
| Benefit payments | 640 |

COLUMBUS, Ohio — The Ohio Public Employees' Retirement System added Wells Fargo Realty Advisors and Rothschild Inc. as real estate managers in 1986 and terminated Aetna Life & Casualty Co. as a manager in that category.

Assets of the system increased 26% to $13.567 billion as of Sept. 30, from $10.76 billion a year earlier. Employer contributions in 1986 were $630 million, the same as in 1985, while benefit payments rose 12.3% to $640 million.

All assets but real estate are managed internally. The fund uses Value Line as an equity consultant.

Within the fixed-income category, the system reduced its long bond exposure and went heavily into mortgage-backed securities because of market conditions earlier this year. As of Sept. 30, the bond allocation was roughly half of what it was 12 months earlier and the mortgage-backed allocation roughly doubled.

The fund has $33 million committed to venture capital, $163 million invested in real estate equity and $4.9 billion in mortgage-backed securities.

As of Sept. 30, the approximate asset mix was 22.5% stocks, 22.4% bonds, 17.1% cash equivalents, 1.2% real estate equity and 36.8% mortgage-backed securities.

**Real estate managers:** CIGNA; NCNB; Rothschild; Security Capital; Wells Fargo.

The state treasurer is master custodian.

Robert A. McLaughlin is the fund's investment officer.

## Ohio Teachers' Retirement System

| ($ millions) | |
|---|---|
| Total assets | 12,484 |
| Defined benefit | 12,484 |
| Employer contributions | 575 |
| Benefit payments | 625 |

COLUMBUS, Ohio — Assets of the State Teachers Retirement System of Ohio increased about 22.7% to $12.48 billion as of Sept. 30, from $10.18 billion a year earlier.

Employer contributions increased 11.7% to $575 million in 1986 and benefit payments increased 10.6% to $625 million.

The fund is managed internally. It uses Thorndike, Doran, Paine & Lewis as equity and bond consultant and Thomas Karsten Associates as real estate consultant.

It has $155 million in dedicated or immunized bond funds, $16 million in venture capital, $1.4 billion in real estate equity, $933 million in mortgages and $1.2 billion in mortgage-backed securities.

It uses stock options and fixed-income futures.

As of Sept. 30, the approximate asset mix was 29% stocks, 28% bonds, 10% cash equivalents, 13% real estate equity, 11% mortgage-backed securities and 9% mortgages.

The state treasurer is master custodian.

C. James Grothaus is executive director; Stephen A. Mitchell is assistant executive director-investments; and Daniel M. Szente, assistant director-investments.

## Oregon Public Employes Retirement System

| ($ millions) | |
|---|---|
| Total assets | 6,522 |
| Defined benefit | 6,522 |
| Employer contributions | 415 |
| Benefit payments | 226 |

SALEM, Ore. — The Oregon Public Employes Retirement System made several changes in its manager lineup during 1986.

In the first quarter, it dropped Glickenhaus & Co., moving the assets to six domestic managers and one international manager.

The new managers are: Atalanta/Sosnoff Capital Corp.; Olympic Capital Management; Pinnacle Associates; George B. Springman Inc.; Cutler & Co. Inc.; Thompson/Rubinstein Investment Management; and Nomura Capital Management Inc.

Separately, it also added Cursitor-Eaton as an international equity manager as part of an increase in overseas exposure.

In June, it hired Chase Manhattan Bank as master custodian for fixed income, replacing Manufacturers Hanover Trust.

In July, it boosted its venture capital commitment by allocating $5 million to Interven Partners for early stage financing in high-technology companies.

The fund also diversified its real estate portfolio by investing $26 million in real estate investment trusts and other publicly traded real estate securities, and making its first major moves into mortgage-backed securities.

The fund reported defined benefit assets of $6.522 billion as of Sept. 30, an increase of 27.9% from the $5.1 billion reported a year earlier.

Employer and employee contributions to the fund totaled $415


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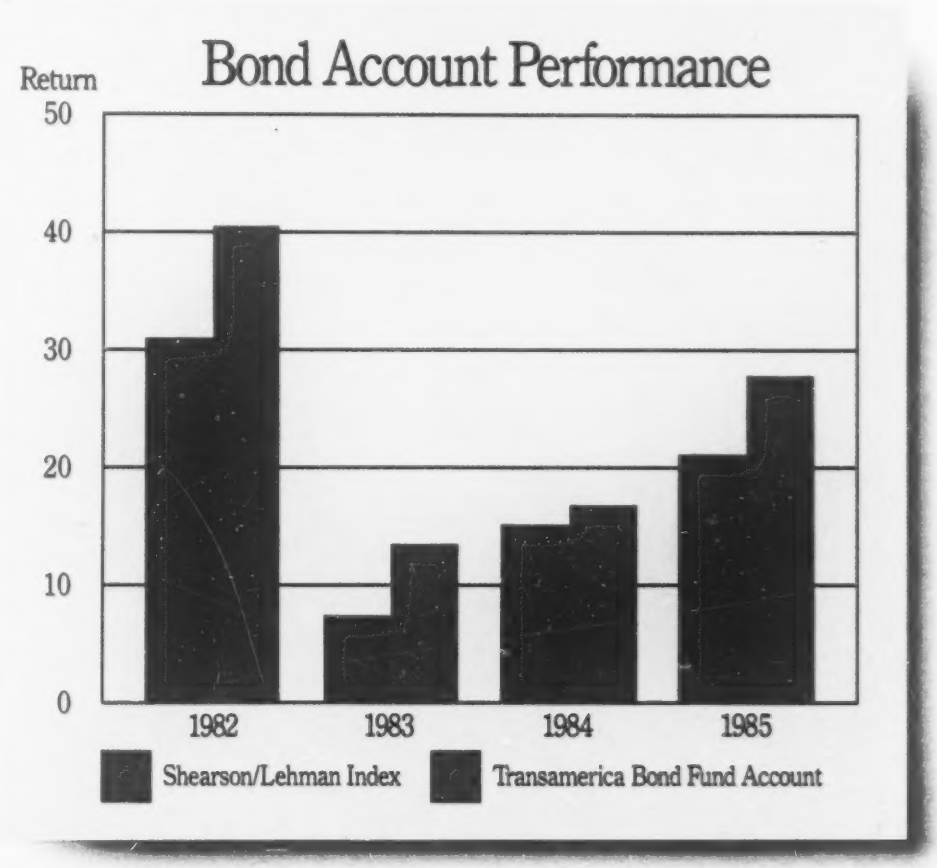


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million, up 1.2%, and benefit payments were $226 million, up 13%.

The fund manages $2.8 billion internally, all in fixed income.

It has $445.1 million invested in overseas equities, an increase of 130.6% from the $193 million reported for 1985. James C. George, investment manager, attributed the increase to the fund's steadily building up what he called a "very successful sector" and to market appreciation.

It also has $90 million in venture capital; $400 million in leveraged buy-outs; $350 million in real estate equity; $360 million in mortgages; and $140 million in mortgage-backed securities.

The fund uses stock options and stock index futures.

As of Sept. 30, the asset mix of the pension fund was 57% stocks, including most of the leveraged buy-out and venture capital assets; 32% bonds, including mortgage-backed securities; 5.4% real estate equity; and 5.6% mortgages.

**Equity managers** (Domestic): Atalanta/Sosnoff; Batterymarch; BEA Associates; Columbia; Cutler; Froley-Revy; General American; Harris Associates; Hotchkis & Wiley; Olympic; Pinnacle; Quest; Rosenberg; Fayez Sarofim; George B. Springman; Thompson-Rubinstein; and William D. Witter.

(International): ABD; Cursitor-Eaton; Daiwa; Globe-Finlay; Nomura; Rowe Price-Fleming; and Wertheim Phillipe.

**Real estate manager:** Alex. Brown Realty.

**LBO manager:** Kohlberg, Kravis, Roberts.

Chase is the master custodian for bonds; First Interstate Bank of Oregon is master trustee for stocks. Its investment management consultants are Frank Russell Co. and Wilshire Associates.

Along with Mr. George, other key personnel are Bill Unverzagt, senior investment officer-bonds; Terry Canby, senior investment officer-mortgages; and Jim Yasutome, senior investment officer-short term.

# P

## Pacific Gas & Electric Co.

| | ($ millions) |
|---|---|
| Total assets | 3,275 |
| Defined benefit | 2,075 |
| Defined contribution | 1,200 |
| Employer contributions | 130 |
| Benefit payments | 90 |

SAN FRANCISCO — Pacific Gas & Electric Co.'s pension fund made its first move into international during 1986, allocating $73 million for international equities among Arnhold & S. Bleichroeder International; Capital Guardian Trust; and Putnam International Advisors.

The company also made a change in its fixed-income and real estate asset management, hiring bond manager Sanford C. Bernstein in place of T. Rowe Price Associates and moving an undisclosed amount from PRISA I, Prudential Realty Group's broad-based open-end real estate fund, into PRISA II, a large-property account.

The real estate shift was made as part of the fund's efforts to develop a real estate program that has a high return but doesn't take a lot of staff time. It currently has $146 million in real estate equity and $70 million in mortgage-backed securities.

Also during the year, Sunny Oberoi was named director-pension fund management, replacing Janice Murphy, and Gordon Smith, vice president-finance and treasurer, became chairman of the investment committee, replacing Stan Skinner.

As of Sept. 30, employee benefit assets at PG&E totaled $3.275 billion, a 32% increase from a year earlier. The defined benefit assets totaled $2.075 billion, up 25.4%, and the defined contribution assets, including the 401(k) plan, totaled $1.2 billion, up 45.1%.

Employer contributions to the plan in 1986 were expected to total $130 million, compared with 1985's $122.4 million. Benefit payments were estimated at $90 million, compared with $77.8 million a year earlier.

In addition to its international and real estate investments, the PG&E fund has $135 million in indexed stocks, $114 million in general account contracts and $21 million in guaranteed investment contracts.

The asset mix as of Sept. 30 was 65% stocks, 28% bonds (including cash, mortgage-backed securities, GICs and GACs) and 7% in real estate equity.

**Equity managers** (Domestic): Barrow Hanley Mewhinney & Strauss; Beutel Goodman; Cashman Farrell; Chase; Dodge & Cox; Endowment Management; Frontier; Jundt/Capen; McCowan; Miller, Anderson & Sherrerd; Olympic; Rosenberg Capital; State Street Bank.

(International): Capital Guardian; Bleichroeder; Putnam.

**Bond managers:** Bernstein; Fischer Francis Trees & Watts; Miller Anderson & Sherrerd.

**Real estate managers:** Corporate Property Investors; Prudential; Metropolitan Life; RREEF; TCW.

**GICs:** Metropolitan (defined benefit plan); Hancock, Hartford; New York Life (defined contribution plan.

**GACs:** Metropolitan; Prudential.

Master trustee is State Street Bank; Frank Russell is consultant.

Overseeing investment management are Mr. Oberoi and Peter K. Corippo, senior analyst.

## Pacific Telesis Group

| | ($ millions) |
|---|---|
| Total assets | 8,500 |
| Defined benefit | 7,600 |
| Defined contribution | 900 |
| Employer contributions | na |
| Benefit payments | na |

SAN FRANCISCO — Pacific Telesis Group's defined benefit fund increased its allocation to international investments to 15% of total defined benefit assets from 10% a year earlier.

Total employee benefit assets were at $8.5 billion as of Sept. 30, up 34.6% from the $6.316 billion reported a year earlier. Its defined benefit assets totaled $7.6 billion, up 33.3%, compared to $5.703 billion in the same period. Its defined contribution assets totaled $900 million, up 46.8% from the $613 million of a year earlier. Fund officials attributed the rise to investment performance.

In the only manager change in 1986, it dropped Chase Investors Management.

Pacific Telesis runs in-house $195 million in equities and $85 million in fixed income.

The asset mix as of Sept. 30 was 50% stocks, 15% international equity, 23% bonds, 5% cash and 7% real estate equity.

**Equity managers** (domestic): Delphi; Dodge & Cox; Hotchkis & Wiley; IDS Advisory; Jundt/Capen; Lord Abbett; Mellon Capital; Morgan Grenfell; Pilgrim Baxter Hoyt & Greig; Rosenberg Capital; Sit Investment; State Street Research; Thompson Siegel & Walmsley; United Capital; Wellington; Wells Fargo Investment.

(International): ABD; Capital Guardian; Fidelity International; Morgan Grenfell; NM Rothschild.


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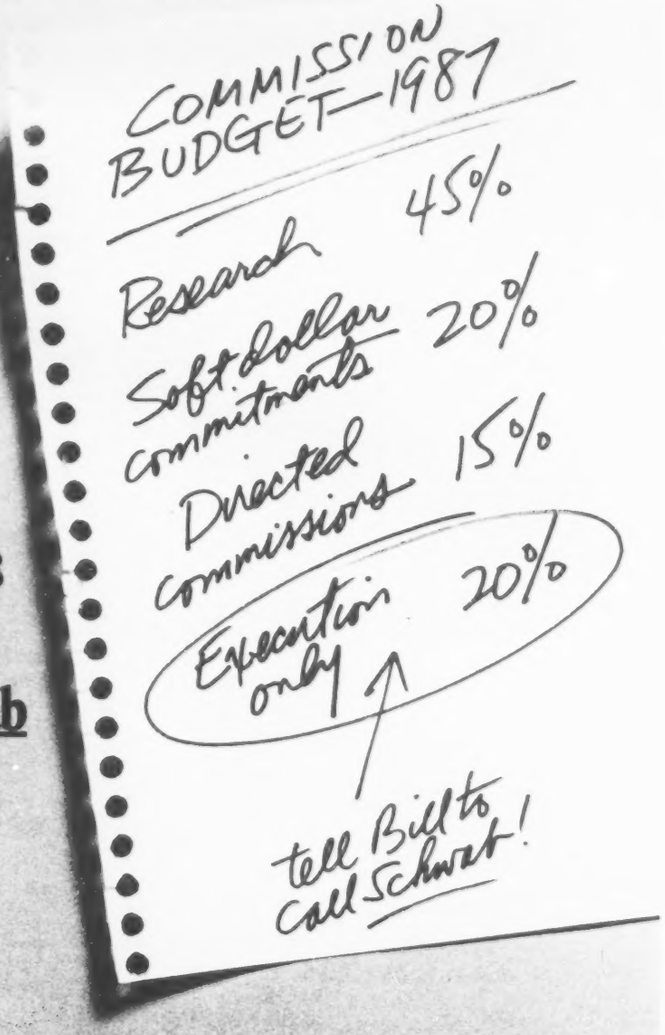


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**Bond managers:** CMB Investment; Discount Corp.; Dodge & Cox; Fischer Francis Trees & Watts; PIMCO; Solomon Asset; Wells Fargo Investment; Western Asset.

**Real estate managers:** Jones Lang Wootton; LaSalle; TCW.

Bank of America is master trustee. Frank Russell is consultant.

Overseeing the fund are Richard E. Holmes, director-investment management; Jeffrey L. Winter, manager-investment planning and strategy; and H.R. Fetherston, manager-investment administration and real estate.

## Pennsylvania Public School Employes' Retirement System

($ millions)

| | |
|---|---|
| Total assets* | 10,078 |
| Defined benefit | 10,078 |
| Employer contributions | 821 |
| Benefit payments | 706 |

*as of June 30, 1986

HARRISBURG, Pa. — Last spring, the Pennsylvania Public School Employes' Retirement System trustees adopted a restrictive investment policy that eventually could result in complete divestment of South Africa-related securities.

Fund officials also initiated a $200 million hedged index fund, to be managed by J.P. Morgan, and a new portfolio of $250 million in mortgage-backed securities to be managed internally.

The moves, which had been planned for some time, were funded from short-term investments.

Earlier in the year, the fund hired Dreman & Embry to manage $100 million in equities and Trivest to manage $15 million in venture capital.

For options, the fund replaced Bankers Trust with Webster Management when the fund's portfolio manager at Bankers moved to Webster. Oppenheimer Option Management was retained.

For fixed income, trustees plan to allocate $250 million each to Criterion Investment Management and Pacific Investment Management and $150 million to the Putnam Advisory Co. Another $150 million will be placed in an equity fund with Evaluation Associates, the fund's consultant.

Allocations of $20 million to Foston and $2 million to Genesis Seed are expected to be made soon in venture capital.

As of June 30, fund assets grew to $10.078 billion, up 28.8% from almost $7.825 billion as of Sept. 30, 1985.

Employer contributions rose 7.6% to $821 million from $763 million as of Sept. 30, 1985, and benefits paid out rose 32% to $706 million from $535 million.

The fund manages $1.35 billion internally in short-term investments.

The fund has $668 million invested in real estate equity; $270 million in mortgages; $576 million in mortgage-backed securities; and $10.5 million in venture capital as of June 30.

The asset mix as of June 30 was 33.8% stocks, 37.8% bonds, 13.3% cash equivalents, 6.6% real estate equity, 2.7% mortgages, 5.7% mortgage-backed securities and 0.1% venture capital.

**Equity managers:** Bankers Trust; Cashman & Farrell; Delaware; Dreman & Embry; Mellon Bank; Miller Anderson & Sherrerd; Oppenheimer; Provident.

**Bond managers:** Glenmede Trust; Loomis Sayles; Mellon Bank; Miller, Anderson & Sherrerd; Pittsburgh National Bank.

**Real estate managers:** Fidelity Bank; Jones Lang Wootton.

**Options managers:** Oppenheimer; Webster.

**Venture capital:** Century IV; NEPA.

First Pennsylvania is the master custodian.

James A. Perry is executive director; Clay B. Mansfield is chief investment officer.

## Pennsylvania State Employes' Retirement System

($ millions)

| | |
|---|---|
| Total assets | 6,730 |
| Defined benefit | 6,730 |
| Employer contributions | 370 |
| Benefit payments | 535 |

HARRISBURG, Pa. — The Pennsylvania State Employes' Retirement System hired four equity managers for greater exposure to small- and medium-capitalization stocks.

New managers and allocations are: Geewax, Terker & Co., $50 million; Pilgrim, Baxter, Hoyt & Greig, $100 million; First Pennsylvania Bank, $25 million; and McGlinn Capital Management, $50 million.

Mellon Bank was allocated an additional $50 million, bringing the bank's small-cap fund to $164.3 million by Sept. 30.

In addition, the state hired two high-yield bond managers — Delaware Investment Advisers and W.R. Huff Asset Management — for $50 million each. About 1.5% of the system's assets are invested in high-yield bonds.

Pennsylvania dropped Philadelphia Savings Fund Society as manager of a mortgage portfolio of $465.8 million, replacing it with Latimer & Buck Inc.

The commitment to venture capital is expected to increase. Five agreements yet to win final approval would add $37 million to the state's venture capital exposure.

Total assets of the system increased 24.2% to $6.73 billion as of Sept. 30 from $5.418 billion a year earlier.

Contributions decreased 17.8% to $370 million from $450 million a year earlier. Benefit payments rose 20.2% to $535 million from $445 million.

Investment in indexed stocks increased to $1.264 billion from $998 million a year before. Indexed bonds jumped to $633 million from $525 million.

The fund has $379.1 million in real estate equity; $437.6 million in mortgages; $565.8 million in mortgage-backed securities and $66 million in venture capital.

The asset mix as of Sept. 30 was 41.6% in stocks, 30.9% in bonds, 6.7% in cash equivalents, 5.6% in real estate equity, 6.5% in mortgages, 8.4% in mortgage-backed securities and 0.3% in venture capital.

**Equity managers:** Fred Alger; Alliance; Barrow, Hanley, Mewhinney & Strauss, First Pennsylvania Bank; Geewax, Terker; Glickenhaus; McGlinn Capital; Mellon Bank; Pilgrim, Baxter, Hoyt & Greig; Trinity; Wells Fargo.

**Bond managers:** Delaware; W.R. Huff; Miller, Anderson & Sherrerd; Payden & Rygel; Latimer & Buck.

**Real Estate managers:** Aetna; Corporate Property Investors; F.I.A.; Hancock; JMB; Prudential; Security Capital.

Wilshire Associates is consultant.

Kenneth G. Mertz II is chief investment officer. David D. Burnett and Karen Nicely are investment analysts.

## Procter & Gamble Co.

($ millions)

| | |
|---|---|
| Total assets* | 2,984 |
| Defined benefit | 152 |
| Profit-sharing | 2,761 |
| 401(k) | 71 |
| Employer contributions | 175 |
| Benefit payments | 196 |

*as of June 30, 1986

CINCINNATI — Procter &


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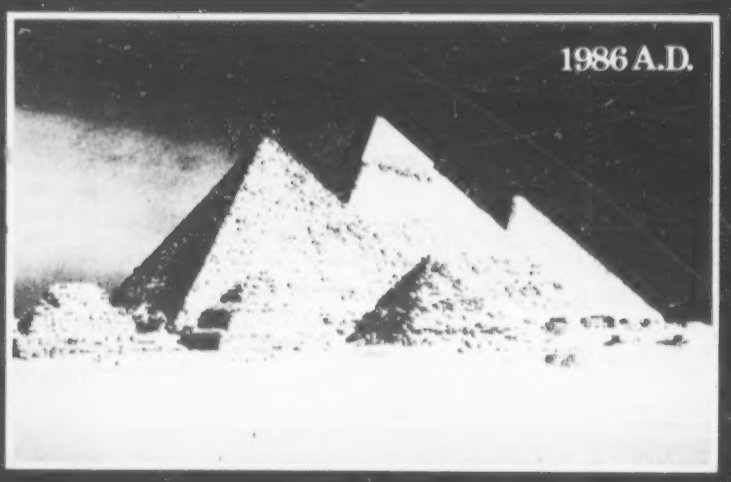
*As reported by CDA Investment Technologies, Inc. for the period ending 12/31/85.

NCNB




NCNB REAL ESTATE FUND

Gamble Co.'s total employee benefit assets were up 40.6% in the year ended June 30, to $2.984 billion from $2.123 billion.

Its profit-sharing fund, P&G's principal retirement vehicle, rose 31.8% to $2.761 billion from $2.095 billion. The company attributed the rise mainly to the gains in the Procter & Gamble common stock the fund holds. About 64.4% of the profit-sharing fund is in P&G stock, and for the year ended June 30 the stock rose 42% to 80¼ from 56¼.

In the same period, its defined benefit fund rose 443% to $152 million from $28 million. P&G attributed the rise to the acquisition of Richardson-Vicks, whose defined benefit assets total about $125 million. The $28 million reported last year represented its Norwich unit's defined benefit assets.

In addition, both Richardson-Vicks and Norwich have 401(k) plans, whose assets total $71 million.

P&G's contribution to all its plans in 1986 was $175 million up 9.4% from $160 million the year before, while benefits paid were $196 million, up 28.1% from $153 million.

P&G runs its $2.76 billion in profit-sharing assets in-house. The internally run portfolio was split with $1.777 billion in equities (all P&G stock), $170 million in cash equivalents and $814 million in GICs, bought from Aetna. Through the 401(k) plans, P&G holds another $50 million in GICs.

The profit-sharing trust allows employees 55 and older to put money in a retirement distribution trust of mutual funds run by T. Rowe Price Associates, which has about $1 million. The P&G shares are the only P&G securities the profit-sharing fund holds.

Griffin Group runs Norwich's fund, while the other managers reported below run Richardson-Vicks' assets.

Norwich's defined benefit fund's asset mix as of June 30 was 55% equities, 37% bonds, 8% cash, while Richardson-Vicks's defined benefit fund's allocation was 59% equities, 32% bonds and 9% cash. The combined defined benefit funds' asset mix is 58% stocks, 33% bonds and 9% cash.

P&G's profit-sharing fund had an asset mix as of June 30 of 64.4% stock, 29.4% GICs and 6.2% cash equivalents.

**Equity managers:** Atlanta Capital; Dimensional Fund; Glickenhaus; Griffin Group; IDS Advisory.

**Bond managers:** Atlanta; Griffin; Western Asset.

**Profit-sharing retirement trust mutual funds:** T. Rowe Price.

SEI is consultant.

Norwich's master trustee is Northern Trust, while Richardson-Vicks' master trustee is Bank of New York. P&G's profit-sharing fund has internal trustees.

Overseeing the assets are E.H. Eaton, vice president-treasurer; C.P. Slater, assistant treasurer; and J.R. Smith, manager-pension plan coordination.

## Prudential Insurance Company of America

| ($ millions) | |
|---|---|
| Total assets | 4,507* |
| Defined benefit | 3,614 |
| Thrift or savings | 893 |
| Contributions | 30 |
| Benefit payments | 130 |

*P&I Age estimate

NEWARK, N.J. — Employee benefit assets of Prudential Insurance Co. totaled $4.507 billion as of Sept. 30, according to a *Pensions & Investment Age* estimate based on the company's own figures as Dec. 31, 1985.

Prudential launched a 401(k) plan June 30, but didn't provide asset information.

All assets are managed internally.

Prudential has $144 million in indexed stocks; $349 in international equity; $109 million in international fixed income; and $552 million in real estate equity.

The asset mix as of Dec. 31, 1985, was 51% stocks, 27% fixed income, 17% real estate equity and 5% cash equivalents.

Investment management is overseen by a committee of three senior officers.

# r

## RJR Nabisco Inc.

| ($ millions) | |
|---|---|
| Total assets | 3,164 |
| Defined benefit | 2,346 |
| Thrift or savings | 817 |
| Employer contributions | 75 |
| Benefit payments | 96 |

WINSTON-SALEM, N.C. — RJR Nabisco Inc.'s employee benefit assets increased by 34% during the year ended Sept. 30.

Continuing a program of consolidation of investment managers that began after R.J. Reynolds acquired Nabisco Brands Inc. in 1985, the company terminated 10 managers and hired five new managers, according to Paul Tyner, manager, funds administration.

Managers terminated in the defined benefit plan were Bankers Trust Co., Forstmann-Leff Associates Inc., MacKay-Shields Financial Corp. and McKenzie, Walker Investment Management. Newly hired were Campbell Advisors, C.J. Lawrence Management, Cooke & Bieler Inc. and Schafer Capital Management Inc. RJR Investment Management Co. also began managing some of the equity funds.

The equity 401(k)/thrift managers terminated were Alliance Capital Management and Bernstein-Macaulay Inc. Spears-Benzac was added.

Fischer, Francis, Trees & Watts was dropped as a bond manager and RJR Investment Management, formed last year, started managing the in-house dedicated bonds and some real estate funds.

NBW Venture Partners was terminated as a venture capital manager.

Mr. Tyner said RJR Nabisco is no longer using stock options or stock index futures, but still uses fixed-income futures. It terminated options managers Bear, Stearns Asset Management and The Travelers.

Gwain Gillespie, formerly executive vice president and chief financial officer and John Dowdle, formerly senior vice president-financial services, retired from RJR Nabisco. Gene Hoots, formerly president of RJR Investment, took a position with Reich & Tang.

RJR Investment Management had $736 million in Reynolds pension assets under management as of Sept. 30, up from $402 million the previous year. Of the $736 million, $592 million is in dedicated bond funds and $144 million is in equity.

For 1986, its employer contribution to the benefit plan was $75 million. Benefit payments totaled $96 million.

The fund also reported $20.2 million in foreign equities, $18 million in venture capital and $125 million in real estate equity.

**Equity managers** (defined benefit): Batterymarch; Campbell Advisors; Capital Guardian; Cooke-Bieler; Delaware Investment; C.J. Lawrence; Lieber; Reich & Tang; Schafer Capital; Warburg Pincus.

(401(k)/thrift): Spears-Benzac; Vanguard; Wilkens & Nanovic.

**Bond managers** (defined benefit): PIMCO; Scudder, Stevens.

(401(k)/thrift): Wachovia Bank.

**Real estate managers:** Copley; Mellon Capital; Prudential; Wachovia.

**International manager:** Globe Finlay.

**Venture capital managers:** Advent; Concord Partners; DeMuth, Folger & Terrune; Fairfield Venture Partners; Plant Resources.

The approximate asset mix as of Sept. 30 was 56% stocks, 30% bonds, 8% cash equivalents, 5% real estate equity and 1% venture capital.

Master trustee is Wachovia and consultant is Hamilton, Johnston.

Key investment personnel include: A. Ed Robinson, chief financial officer; Mac Baines, senior vice president and treasurer; and Robert Bennett, president, RJR Investment Management.

## Rockwell International

| ($ millions) | |
|---|---|
| Total assets* | 8,122 |
| Defined benefit* | 5,986 |
| Thrift or savings | 2,136 |
| Employer contributions | 77 |
| Benefit payments | na |

*P&I Age estimate

PITTSBURGH, Pa. — The Rockwell International defined benefit plan grew to $5.986 billion as of Sept. 30, *Pensions & Investment Age* estimates.

That represents a rise of 14.7% from an estimated $5.218 billion a year earlier.

The savings plan had $2.136 billion as of Sept. 30, according to a document filed with the Securities and Exchange Commission.

According to the company's 1986 annual report, pension costs shrank to $77 million in 1986 from $178 million the year before. The decrease was principally due to an increase in the interest rate assumption to 9% from 8%, a change in the salary increase assumption to 5% from 6%, and investment performance.

Of the $2.136 billion in the savings plan, 74%, or $1.591 billion, is in Rockwell stock. Another $142.5 million is in common stocks (excluding Rockwell stock) and $232 million is in group annuity contracts. Most of the remainder is in short-term investments.

**Equity managers (savings plan):** Capital Guardian; First Interstate of California; Hotchkis & Wiley; National Bank of Detroit; Fayez Sarofim.

**Bond manager (savings plan):** First Interstate.

Custodians for the savings plan are First Interstate and National Bank of Detroit.

**Defined benefit plan managers** (according to Money Market Directory): Beutel, Goodman; Boston Co. Real Estate Counsel; Cashman, Farrell; Chase Investors; CIGNA Asset Advisers; First Pacific; Guardian Life; InterFirst Bank Dallas; InterFirst Investment Management; Manufacturers Bank; Mellon Bank; Metropolitan Life; J.P. Morgan; Morgan Stanley; PRIMECAP; Scudder, Stevens & Clark; Seafirst Bank; Security Pacific Investment; Security Pacific Bank; Siphron & Meyers; Stralem; Tower Capital; Transamerica; Travelers Insurance; Travelers Investment; Vanguard; Waite & Correnti; Western Asset.

Mellon Bank is master trustee.

Key personnel overseeing the fund are: E. William Altstaetter, vice president-insurance and benefits administration; Lee H. Cramer, treasurer; and Susan Leathers, director-pension assets management.

# S

## City & County of San Francisco Employees Retirement System

| ($ millions) | |
|---|---|
| Total assets | 2,723 |
| Defined benefit | 2,723 |
| Employer contributions | 240 |
| Benefit payments | 160 |

SAN FRANCISCO — The City & County of San Francisco Employees Retirement System signed management contracts with three international equity and two international bond managers in 1986 and allocated $200 million to investment in international securities.

The three international equity managers signed and given an initial allocation of $33.3 million each were: Capital Guardian Trust Co.; Morgan Grenfell Investment Services Ltd.; and Oechsle International Advisors.

Signed for international bond management were: First Chicago Investment Advisors and Warburg Investment Management International. The international bond managers were allocated $50 million each.

Trustees for the retirement system also decided to allocate up to $50 million for venture capital, but the venture capital managers have not been selected.

Equity managers hired during the 12 months ended Sept. 30 were: Furman Selz Capital Management; Hanson Investment Management Co.; McCullough, Andrews & Cappiello Inc.; Nicholas-Applegate Capital Management and Hahn Holland & Grossman. Fred Alger Management Inc., which bought Crocker Investment Management, was retained.

For the 12 months ended Sept. 30, total assets for the retirement system increased 26.2% to $2.723 billion from $2.157 billion.

The system manages $1.188 billion internally, $80 million in equity and $1.108 billion in fixed income.

San Francisco has $146 million in an equity index fund, $109 million in real estate equity, $19 million in mortgages and $255 million in mortgage-backed securities.

The asset mix as of Sept. 30 was 32% stocks, 49% bonds, 5% cash equivalents, 4% real estate equity, 9% mortgage-backed securities and 1% mortgages.

**Equity managers:** (Domestic) Fred Alger; Axe Core Investors; Furman Selz; Hahn Holland & Grossman; Hanson; Loomis,

Funds investing in mortgages
($ millions)

| Fund | |
|---|---|
| TIAA-CREF | 11,200 |
| New York State Common Fund | 2,712 |
| California Public Employees | 2,631 |
| New York State Teachers | 2,080 |
| Michigan State Employees | 1,460 |
| New Jersey Division of Investment | 1,300 |
| Texas Teachers | 1,057 |
| Ohio Teachers Retirement System | 933 |
| California State Teachers | 895 |
| Washington State Investment Board | 523 |
| Hawaii State Employees | 445 |
| Alaska State Retirement Systems | 440 |
| Pennsylvania State Employees | 438 |
| Alabama Retirement Systems | 422 |
| Detroit Retirement Systems | 367 |
| Oregon Employes Retirement System | 360 |
| Pennsylvania School Employes | 270 |
| Los Angeles County | 248 |
| Arizona State Retirement System | 225 |
| Boeing Co. | 210 |
| Navistar International Corp. | 210 |
| Nevada Public Employees | 200 |
| Teamsters Western Conference | 152 |
| Wisconsin Investment Board | 150 |
| Kentucky Teachers Retirement | 130 |
| Westinghouse Electric Corp. | 125 |
| New York City Retirement Systems | 124 |
| Teamsters Central States | 101 |
| Ohio School Employees | 79 |
| Idaho Public Employees | 71 |
| International Operating Engineers | 70 |
| Maryland State Retirement | 67 |
| Chicago Employees | 66 |
| North Carolina Retirement Systems | 65 |
| Texaco Inc. | 60 |
| USX Corp. | 60 |
| Bakery & Confectionery Workers | 51 |
| New Mexico Public Employees | 45 |
| Goodyear Tire & Rubber Co. | 41 |
| West Virginia State | 38 |
| Arkansas Teacher Retirement System | 35 |
| Georgia State Retirement Systems | 35 |
| Virginia Retirement System | 33 |
| Southern Baptist Convention | 31 |
| Baltimore Employees | 30 |
| Minnesota Mining & Manufacturing Co. | 30 |
| Atlantic Richfield | 27 |
| Travelers Insurance Co. | 24 |
| Utah State Retirement Board | 23 |
| Sun Co. | 21 |
| World Bank | 20 |
| San Francisco Employees | 19 |
| Aetna Life & Casualty Co. | 18 |
| Louisiana State Employees | 16 |
| Halliburton Savings Plan | 13 |
| Hewlett-Packard | 12 |
| Missouri School Retirement System | 10 |
| Monsanto | 10 |
| United Methodist Church | 6 |
| Sotheby's-Blackarabia | 3 |
| International Paper Co. | 3 |
| Houston City Fire and Police | 2 |
| Southern New England Telephone | 1 |
| Total | 30,343 |

Sayles; McCullough, Andrews & Cappiello; Nicholas-Applegate; George Springman.

(International) Capital Guardian; Morgan Grenfell; Oechsle.

**Bond managers:** (Domestic) Bankers Trust; Lehman Asset; MacKay-Shields; Scudder, Stevens & Clark.

(International) First Chicago; Warburg.

**Real estate manager:** Coldwell Banker.

Bankers Trust Co. is custodian; Callan Associates is consultant.

Key personnel overseeing the investment management of assets for the system are DeWitt F. Bowman, chief investment officer, and Carolyn Hamilton, assistant chief of investments.

## Sears, Roebuck & Co.

| ($ millions) | |
|---|---|
| Total assets | 6,784 |
| Defined benefit | 2,492 |
| Profit-sharing | 4,292 |
| Employer contributions | na |
| Benefit payments | na |

CHICAGO — The employee benefit assets of Sears, Roebuck & Co. increased 23.8% to $6.784 billion as of Sept. 30 from $5.481 billion a year earlier. Defined benefit assets increased 30.1% to $2.492 billion from $1.915 billion.

During the year, Sears terminated an account run by Putnam International Advisors Inc. and pulled the money in-house, at least temporarily. The move was prompted by the departure of 11 Putnam International professionals who started their own firm, Oechsle International Advisors.

Sears manages $2.2 billion in-house through Sears Investment Management Co. Of this, $1.096 billion is in equities, $810 million in fixed income, $181 million in short-term investments and $148 million in other investments, including venture capital, private placements and preferred stock.

The fund has $618 million in indexed stocks; $250 million in foreign equities; $64 million in venture capital; and $65 million in real estate equity. It uses stock options and stock index futures.

As of Sept. 30, the approximate asset mix was 43% domestic stocks, 33% bonds, 7% cash equivalents, 3% real estate equity and 14% venture capital, foreign and miscellaneous investments.

**Real estate manager:** Aldrich, Eastman and Waltch.

**International managers:** Capital Guardian, Fidelity International.

Continental Illinois is the fund's master trustee.

Key personnel of Sears Investment Management are David V. Dootson, president, and David H. Williams and Michael F. Norton, vice presidents.

## Shell Oil Co.

| ($ millions) | |
|---|---|
| Total assets | 5,811 |
| Defined benefit | 2,751 |
| Profit-sharing | 409 |
| Thrift or savings | 2,502 |
| 401(k) | 149 |
| Employer contributions | 300 |
| Benefit payments | 400 |

HOUSTON -- Leonard Chaikind was named administrator of the Shell employee benefit funds in February, replacing Robert MacIntire, who retired after more than 20 years.

Total assets of the employee benefit funds at Shell increased 16.7% for the year ended Sept. 30, to $5.811 billion from $4.979 billion.

Shell officials were reviewing the plan's real estate posture in 1986 and are considering the types and asset allocation to real estate.

The employer contribution to all plans was $300 million.

Benefits paid to employees in 1986 were $400 million, up 23% from $325 previously.

Approximately $1.2 billion of Shell's assets are managed internally, $189 million in equities, $973 million in fixed income and $38 million in short-term investments.

Shell has $566 million in indexed stocks; $73 million in guaranteed investment contracts; $4 million in international fixed income; $307 million in real estate equity; and $188 million in mortgage-backed securities.

The asset mix of the pension fund as of Sept. 30 was 51% stocks, 26% bonds, 2% cash equivalents, 11% real estate equity, 3% GICs and 7% mortgage-backed securities.

**Equity managers:** Criterion; Dodge & Cox; Equitable; First City; Kemper; Mellon; Fayez Sarofim; Wells Fargo.

**Bond manager:** Texas Commerce.

**Real estate managers:** Aetna; Equitable; Hancock; Prudential.

**GIC managers:** Aetna; Equitable, Hancock; Metropolitan; New York Life; Prudential; Travelers.

Frank Russell is the fund's investment management consultant.

Key personnel are Mr. Chaikind and J.B. Kloehr, deputy administrator.

## South Carolina Retirement System

| ($ millions) | |
|---|---|
| Total assets* | 4,996 |
| Defined benefit | 4,996 |
| Employer contributions | 220 |
| Benefit payments | 181 |

*as of June 30, 1986

COLUMBIA, S.C. — The South Carolina Retirement System increased its exposure in bonds about 8% during the 12 months ended June 30, and decreased its commitment to mortgage-backed securities about 41%.

The market value of the defined benefit assets was $4.996 billion.

The employer contribution was $220.4 million; the fund will pay out $180.9 million in benefits.

As of June 30, the fund had $613 million in mortgage-backed securities.

The asset mix, based on par, as of June 30 was 82% bonds, 8% cash equivalents and 10% mortgage-backed securities.

The custodian for the fund is Morgan Guaranty Trust. Its investment management consultant is Jamison, Eaton & Wood.

Key personnel are Grady L. Patterson Jr., state treasurer; Sandy A. Gee, deputy treasurer; and Michael L. Windham, senior assistant.

## Southwestern Bell Corp.

| ($ millions) | |
|---|---|
| Total assets | *6,209 |
| Defined benefit | 5,466 |
| Defined contribution | 1 |
| Savings and 401(k) | 742 |
| Employer contributions | 61 |
| Benefit payments | 217 |

*as of June 30, 1986

ST. LOUIS — Southwestern Bell Corp.'s pension fund in 1986 made its first commitments to real estate equity (outside its inherited TREET real estate fund from American Telephone & Telegraph Co.) and venture capital.

In real estate, it hired John McMahan Associates for $50 million, Heitman Advisory Corp. for $100 million and Boston Co. Real Estate Counsel for $75 million.

In venture capital, the fund committed $60 million to First Chicago and $40 million to Crossroads Management Partners.

In international, it released Putnam International Advisors after its principals left to start their own firm. The fund split Putnam's $30 million between IDS International and Nomura Capital Management, both hired in December 1985 as its first in

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ternational managers along with Fidelity International and Putnam.

It also released equity manager First City Bank of Houston, its only other manager change.

With RepublicBank Dallas, its master trustee, it began a domestic securities lending program.

Larry A. Kohn left as district manager-pension fund to become a vice president in New York of the pension service department of Goldman, Sachs & Co.

His replacement, Charles Weaver, had been Southwestern Bell's manager of investor relations.

The company's total employee benefit assets were $6.209 billion as of June 30, its latest reporting date. They were up 34.9% from the $4.616 billion reported nine months earlier. In the same period, its defined benefits assets rose 28.6% to $5.466 billion, up from $4.25 billion. And its combined savings and 401(k) assets more than doubled to $742 million from $366 million in the nine months.

The company attributed the rise to market growth.

Total employer contributions fell 72% to a company estimated $61 million in 1986 from $217 million the year before.

Benefit payments rose 12.4% in 1986 to a company estimated $217 million from $193 million in 1985.

A dedicated bond portfolio set up in October 1985 and now worth $1.42 billion was the main reason for the contribution decline, company officials reported.

The pension fund has a conservative core, despite moving into new investment areas. In all, 60%, or $3.265 billion, of its defined benefit assets were in indexed stocks and dedicated or immunized bond portfolios as of June 30.

The amount in stock funds tracking the Standard & Poor's 500 stock index and the Wilshire 3000 increased by 36% to $1.845 billion from $1.358 billion as of Sept. 30, 1985. With the increase, the indexed stocks amounted to 55% of its equities and 33% of its total pension assets. The $1.420 billion in dedicated portfolios amounted to 84% of its bond investments and 26% of its total fund.

As of June 30, its pension fund had $169 million in international investments, $282 million invested in real estate, $50 million committed to oil and gas and $100 million committed to venture capital.

The asset mix as of June 30 was 62.1% stocks, 31% bonds 5.3% real estate equity, 0.6% oil and gas, and 1% other.

**Equity managers** (domestic): Franklin Portfolio; Geo Capital; InterFirst Dallas; Jennison; Mercantile Trust; Nicholas Applegate; Pilgrim Baxter Hoyt & Greig; RepublicBank Dallas; Texas Commerce Bank; Wells Fargo.

**Equity managers** (international): Fidelity International, IDS International; Nomura Capital Management.

**Bond managers:** Boatmen's; Jennison; Mercantile.

**Real estate managers:** Boston Co.; Heitman; McMahan; TREET.

**Venture capital managers:** First Chicago; Crossroads Management.

**Oil and gas:** InterFirst Bank Dallas.

**Savings plan managers:** Bankers Trust; Beutel Goodman; Brown Brothers Harriman.

RepublicBank Dallas is master trustee for the pension plan. Bankers Trust is master trustee for the savings plan.

Consultant is Buck Pension Services.

Key investment personnel are Roger Wohlert, assistant treasurer-corporate finance; Mary Ann Devine, district manager-pension investments and administration; and Mr. Weaver.

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## Teachers Insurance and Annuity Association — College Retirement Equities Fund

| | ($ millions) |
|---|---|
| Total assets | 52,300 |
| Defined contribution | 52,300 |
| Employer contributions | 2,700 |
| Benefit payments | 760 |

NEW YORK — In November, TIAA-CREF, the nation's largest pension fund, filed resolutions with 10 companies in which it is invested to rescind their poison pill plans and submit future such plans to a shareholder vote.

In July, the fund called on U.S. corporations to withdraw from South Africa as soon as possible, a break from its past policy of seeking those companies to be a positive force for change there.

The fund submitted 28 shareholder resolutions to companies in which it held stock in the first part of its effort to persuade 160 portfolio corporations to withdraw from South Africa.

During 1986, the giant fund averted loss of its tax-exempt status, as was proposed under the House of Representatives' tax reform bill.

The fund also weathered continued criticism from outside groups on the restrictions placed on participant access to assets, among other issues.

In October, Clifton R. Wharton, formerly chancellor of the State University of New York, was named the organization's chairman and chief executive officer. He begins his new job Feb. 1.

During the year ended Sept. 30, the fund grew 30.8% to $52.3 billion from $40 billion. The assets are managed internally.

The fund has $15 billion in indexed stocks. It also increased its commitment to international equities 79%, to $3.4 billion as of Sept. 30 from $1.9 billion a year earlier, due to a combination of market appreciation and increased investments. International fixed income declined 32%, to $100 million from $147 million.

By Sept. 30, real estate equity had grown to $1.28 billion from $1.12 billion the year before, while mortgages climbed to $11.2 billion from $8.92 billion. The fund also has $800 million invested in mortgage-backed securities.

Investments in leveraged buyouts totaled $130 million, but fund officials declined to reveal in which limited partnerships it had invested.

The overall asset mix was 49.3% stocks, 22.9% bonds, 1.9% cash, 2.5% real estate equity, 21.4% mortgages, 1.5% mortgage-backed securities and 0.5% in other investments.

Morgan Guaranty and Citibank are the custodians for TIAA; Bankers Trust and Chase Manhattan are custodians for CREF.

Key personnel for TIAA are J. Daniel Lee Jr., executive vice president, TIAA investments; David B. Bullett, senior vice president, TIAA securities; and John A. Somers, senior vice president, TIAA mortgage and real estate.

Key CREF personnel are James S. Martin, executive vice president, CREF investments; Henry A. Frantzen, senior vice president, CREF international; and C. Oscar Morong, senior vice president, CREF security research.

A special section on leasing will be published June 15.

## Teamsters, Central States, Southeast and Southwest Areas Pension Fund

| | ($ millions) |
|---|---|
| Total assets | 7,070 |
| Defined benefit | 7,070 |
| Employer contributions | 685 |
| Benefit payments | 739 |

CHICAGO — The Teamsters, Central States, Southeast and Southwest Areas Pension Fund added four managers and switched its custodian in the last quarter of 1986.

It hired American National Bank of Chicago and Wells Fargo Investment Advisors to run equity index funds, INVESCO Capital Management Inc. to run an active equity portfolio and MacKay-Shields Financial Corp. to manage fixed income.

In addition, it dropped State Street Bank and Trust Co. as custodian, replacing it with Mellon Bank.

No investment managers were released in the year.

The fund's assets grew 22.4% in the year ended Sept. 30, to $7.07 billion from nearly $5.775 billion.

The fund was still involved in two matters arising from unauthorized use of its property for toxic wastes disposal. The Labor Department sued Equitable Life Assurance Society of the United States on the fund's behalf over the former use of property it owns in Alabama for toxic wastes disposal. Equitable had been manager of the property for the fund.

In the other case, the fund was still trying to reach an agreement with Equitable, a group of nuns and the state of New Jersey over the cleanup of chemical wastes on property the fund sold to the nuns. Equitable was the fund's manager of the New Jersey property.

PepsiCo, after losing a court ruling, paid the Central States $26.1 million in withdrawal liability.

The fund sold the last of its casino investments, the Aladdin Hotel in Las Vegas. At its peak in 1976, the fund had $249 million in Nevada gaming properties.

Also during the year, the fund began using stock index futures.

George Lehr, executive director of the fund, was appointed to the federal government's ERISA Advisory Council and bipartisan task force.

Robert W. Haack, former New York Stock Exchange president and former chief executive of Lockheed, replaced George D. Gould, chairman of Madison Resource, as the Central States Teamsters' asset monitor adviser. Mr. Gould had been designated an undersecretary of the treasury.

Terrence S. Moloznik, the fund's director-asset monitoring, left to join the staff of the International Brotherhood of Teamsters pension fund, based in Washington. His duties were assigned to others now on staff at Central States.

Among the fund's investments as of Sept. 30 were $2.45 billion in indexed stocks, $207 million in indexed bonds and $1.14 billion in dedicated and immunized bonds. A decision made in 1986 to scrap the dedicated and immunized portfolio was never carried out, although the fund now plans to unwind the portfolio.

The fund also was running $38 million in cash equivalents in-house.

The asset mix as of Sept. 30 was 46.5% stocks, 27% bonds, 6.5% cash equivalents, 0.2% real estate equity, 0.1% guaranteed investment contracts, 1.6% mortgages and 18.1% mortgage-backed securities.

**Equity managers:** American National Bank; Bankers Trust; BEA Associates; Equitable; INVESCO; Mellon Capital; Wells Fargo.

**Bond managers:** Fiduciary Trust; Lincoln Income Group; MacKay-Shields; Miller Anderson

### Funds investing in mortgage-backed securities ($ millions)

| Fund | Assets |
|---|---|
| California Public Employees | 7,782 |
| Ohio Public Employees | 4,940 |
| New York City Retirement Systems | 3,190 |
| New York State Common Fund | 2,700 |
| Texas Teachers | 2,446 |
| California State Teachers | 2,103 |
| E.I. du Pont de Nemours & Co. Inc. | 1,528 |
| Teamsters Central States | 1,282 |
| Ohio Teachers Retirement System | 1,240 |
| Los Angeles County | 1,122 |
| Florida Board of Administration | 1,036 |
| Michigan State Employees | 980 |
| Maryland State Retirement | 933 |
| Alabama Retirement Systems | 910 |
| New York State Teachers | 865 |
| TIAA-CREF | 800 |
| Missouri School Retirement System | 774 |
| S. Calif. Food/Commercial Workers | 714 |
| Massachusetts State Employees | 695 |
| Colorado Public Employees | 678 |
| South Carolina Retirement System | 613 |
| Washington Investment Board | 612 |
| Pennsylvania School Employes | 576 |
| Pennsylvania State Employees | 566 |
| Texas Employees Retirement System | 534 |
| Mississippi Public Employees | 506 |
| USX Corp. | 500 |
| Wisconsin Investment Board | 500 |
| Texas County & District | 446 |
| Illinois Municipal Retirement Fund | 428 |
| New Jersey Division of Investment | 425 |
| Indiana State Teachers | 400 |
| Illinois Teachers | 384 |
| Kentucky Retirement Systems | 364 |
| Connecticut Trust Funds | 327 |
| Ohio School Employees | 321 |
| Ohio Police and Fire | 311 |
| American Airlines | 300 |
| Nevada Public Employees | 297 |
| Louisiana Teachers | 290 |
| Iowa Public Employees | 282 |
| San Francisco Employees | 255 |
| Boeing Co. | 210 |
| Arizona State Retirement System | 200 |
| Virginia Retirement System | 200 |
| Shell Oil Co. | 188 |
| World Bank | 155 |
| Detroit Retirement Systems | 152 |
| Indiana Public Employees | 140 |
| Oregon Employes Retirement System | 140 |
| Boilermakers-Blacksmiths | 135 |
| Idaho Public Employees | 132 |
| Louisiana State Employees | 127 |
| Los Angeles Fire and Police | 124 |
| Georgia State Retirement Systems | 120 |
| International Operating Engineers | 120 |
| Mobil Oil Corp. | 120 |
| Exxon Corp. | 113 |
| Utah State Retirement Board | 109 |
| Inland Steel Industries Inc. | 105 |
| Kentucky Teachers Retirement | 105 |
| Milwaukee City Employees | 100 |
| Tennessee Consolidated Retirement | 100 |
| UMWA Health & Retirement Funds | 100 |
| Minnesota Mining & Manufacturing Co. | 95 |
| Oklahoma Teachers | 95 |
| Chicago Employees | 93 |
| Illinois State Board | 90 |
| Kansas Public Employees | 90 |
| Southern Baptist Convention | 90 |
| Los Angeles City Employees | 87 |
| Los Angeles Water & Power | 85 |
| Pacific Gas & Electric Co. | 70 |
| Presbyterian Church U.S.A. | 50 |
| Chicago Teachers | 49 |
| Massachusetts PRIT | 47 |
| Arkansas Teacher Retirement System | 46 |
| Deere & Co. | 45 |
| Sun Co. | 41 |
| Dart & Kraft Inc. | 40 |
| Delta Air Lines Inc. | 40 |
| United Technologies Corp. | 30 |
| Motorola | 25 |
| Aluminum Co. of America | 22 |
| Navistar International Corp. | 22 |
| Aetna Life & Casualty Co. | 21 |
| National Rural Electric Co-op | 20 |
| Conoco Inc. | 18 |
| West Virginia State | 18 |
| Xerox Corp. | 18 |
| Commonwealth Edison Co. | 17 |
| Halliburton Savings Plan | 15 |
| National Intergroup Inc. | 14 |
| Philadelphia Municipal | 6 |
| J.C. Penney Co. Inc. | 5 |
| Southern New England Telephone | 5 |
| Ashland Oil Inc. | 4 |
| **Total** | **50,493** |

Sherrerd; Morgan Guaranty; T. Rowe Price; Putnam; State Street Bank.

**Real estate managers:** Karsten; Eastdil.

The fund's named fiduciary is Morgan Stanley Group. Its custodian is Mellon.

Overseeing the assets are Mr. Lehr; Thomas L. Hoops, financial and administrative services director; and Daniel P. DiCaro, financial group director.

## Teamsters, Western Conference

| ($ millions) | |
|---|---|
| Total assets* | 7,571 |
| Defined benefit | 7,571 |
| Employer contributions | 500 |
| Benefit payments | 500 |

*as of Aug. 31

SEATTLE — The Western Conference of Teamsters Pension Trust added two managers in 1986, ending Prudential Insurance Co.'s position as sole manager, even though the insurer still runs the bulk of the assets.

The fund assigned $180 million to Wells Fargo Investment Advisors to run in an equity index fund and $22 million to Fidelity Management Trust to run in active equities. At year end, the fund reported the accounts stood at $240 million and $42 million, respectively. Prudential retains about $7.38 billion in fixed income and real estate.

Also, the fund hired Boston Safe Deposit as its first custodian.

Alan D. Biller & Associates was hired as investment consultant, indicating further management changes may be in the offing in 1987.

The fund's employee benefit assets, all in a defined benefit plan, totaled $7.571 billion as of Aug. 31, an increase of 27.7% from the $5.929 billion reported 11 months earlier.

In addition to the stock index fund with Wells Fargo, the fund had $112 million in a bond index fund, run by Prudential, as of Aug. 31; $6.44 billion in a dedicated portfolio, which includes $1.94 billion in what the sponsor calls a fixed dollar general insurance account, all with Prudential; $663 million in real estate equity; and $152 million in mortgages. The fund holds some mortgage-backed securities in its bond index fund, but a breakdown of the securities was not available.

The asset mix as of Aug. 31 was 2.7% stocks, 60.9% bonds, 8.8% real estate equity, 2% mortgages and 25.6% fixed dollar general insurance account.

**Equity managers:** Fidelity; Wells Fargo.

**Bond manager:** Prudential.

**Real estate manager:** Prudential.

The key personnel at the fund overseeing the assets are Owen Bennett and Joseph Ballew, trust co-chairmen.

## Tennessee Consolidated Retirement System

| ($ millions) | |
|---|---|
| Total assets | 5,340 |
| Defined benefit | 5,340 |
| Employer contributions | 293 |
| Benefit payments | 168 |

NASHVILLE, Tenn. — Tennessee Consolidated Retirement System increased its commitment to international by 340% to $176 million as of Sept. 30 from $40 million a year earlier because of a new state law allowing the fund to invest up to 11% of assets in foreign securities. The previous lid on foreign investment was 1% of assets.

The fund has $94 million in international equities and $82 million in international fixed income.

The fund put $100 million into mortgage-backed securities because officials said the sector was more attractive than in previous years.

Assets of the fund jumped 25.7% to $5.34 billion as of Sept. 30 from $4.249 billion the previous year.

All of the fund's assets are managed in-house. As of Sept. 30, the fund's asset mix was 35% stocks, 31.5% bonds, 10% cash equivalents, 20.5% mortgage-backed securities and 3% international equities. The fund uses stock options.

Chase Manhattan is custodian.

Dewey Collins Jr. is chief investment officer.

## Employees Retirement System of Texas

| ($ millions) | |
|---|---|
| Total assets* | 4,310 |
| Defined benefit | 4,310 |
| Employer contributions | 158 |
| Benefit payments | 171 |

*as of Aug. 31, 1986

AUSTIN, Texas — The Employees Retirement System of Texas increased its commitment to mortgage-backed securities by five percentage points during the 12 months ended Aug. 31 to $534 million to take advantage of favorable yields and the widening spreads with U.S. Treasury securities.

Total assets of the fund increased 30.6% to $4.31 billion as of Aug. 31 from $3.3 billion on Sept. 30, 1985.

All of the system's assets are managed internally. INVESCO Capital Management is the system's equity adviser. Duff & Phelps is as fixed-income adviser. Wilshire Associates is consultant.

The asset mix as of Aug. 31, 1986 was 17% stocks, 67% bonds, 2% cash equivalents and 14% mortgaged-backed securities.

Clayton T. Garrison is executive director; Nancy G. Goerdel is director of investments; Stephen P. Arnold is assistant director of investments.

## Teacher Retirement System of Texas

| ($ millions) | |
|---|---|
| Total assets* | 13,198 |
| Defined benefit | 13,198 |
| Employer contributions | 676 |
| Benefit payments | 729 |

*as of Aug. 31, 1986

AUSTIN, Texas — Clark Manning, deputy executive secretary of the Teacher Retirement System of Texas, announced in October he was leaving to become head of a new Lomas & Nettleton Co. investment management subsidiary in Dallas. Mr. Manning had served nearly 14 years with the system. He was replaced by Joe Perrone, assistant investment officer-real estate.

In addition Bob Davis, the system's assistant investment officer-fixed income, announced his intention to retire.

Early in the year, the Texas state auditor issued a report clearing the system of any wrongdoing in connection with a $172 million bond swap in 1984. The special audit was prompted by a complaint from a former fund employee.

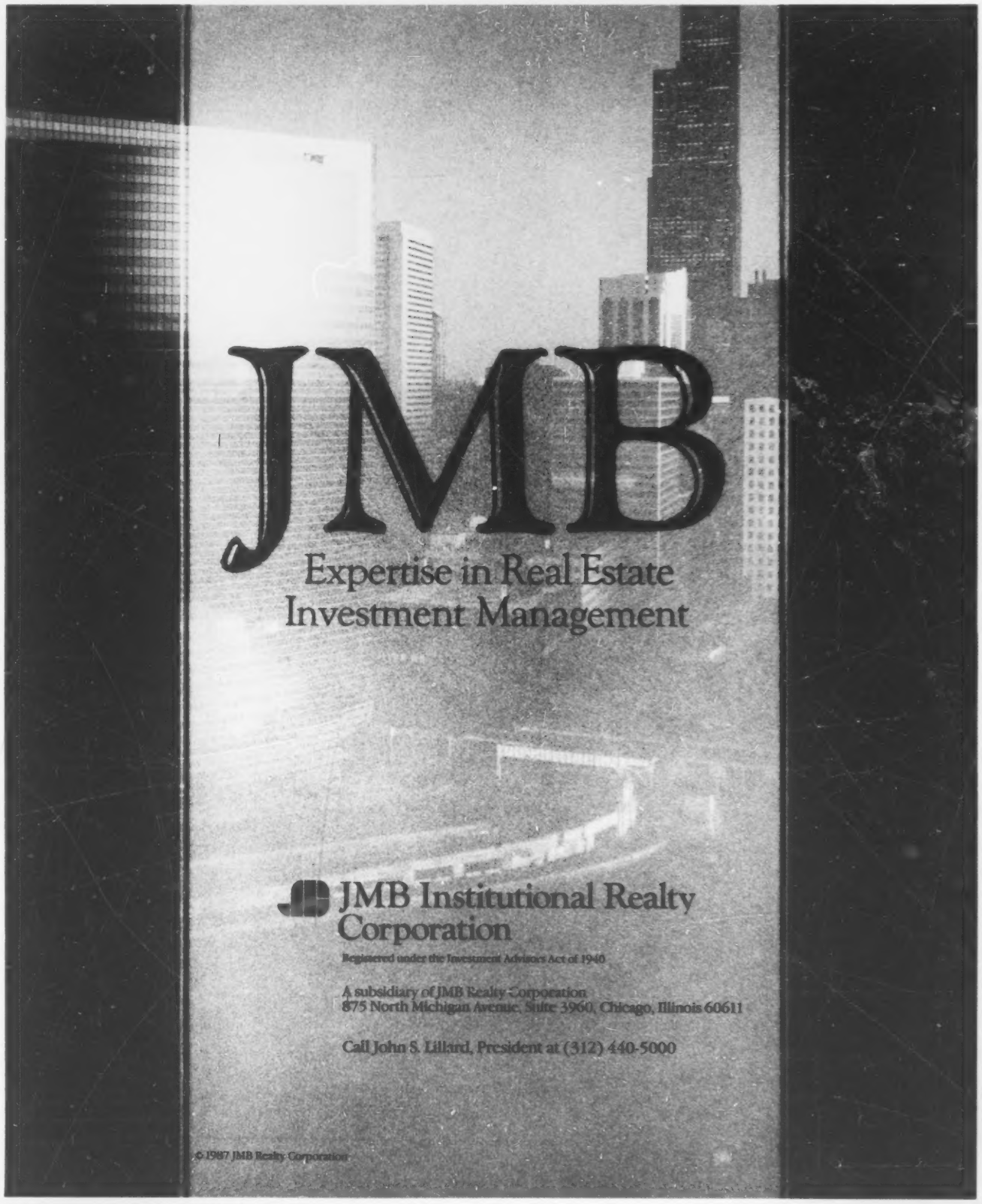
Texas Teachers closed a more than $116 million mortgage investment in two major hotel properties and funded a $58 million commitment to mortgages by the third quarter of 1986. In the four years since the fund started its program, it has invested approximately $1.6 billion.

Total assets increased 18% to $13.198 billion as of Aug. 31, from $11.188 billion as of Sept. 30, 1985.

All the system's assets are managed internally. Thorndike, Doran, Paine & Lewis serves as investment management adviser.

The system had $1.057 billion invested in mortgages and $2.446 billion in mortgage-backed securities.

The asset mix as of Aug. 31 was



30% stocks, 42.2% bonds, 2.4% cash equivalents, 6.9% mortgages and 18.5% mortgage-backed securities.

Bruce Hineman is executive secretary.

## Textron Inc.

| | ($ millions) |
|---|---|
| Total assets | 2,502 |
| Defined benefit | 1,930 |
| Profit-sharing | 131 |
| Thrift or savings | 441 |
| Benefit payments | 95 |

PROVIDENCE, R.I. — Textron Inc.'s employee benefit assets totaled $2.502 billion as of Sept. 30. That included $1.93 billion in defined benefit assets; $131 million in profit-sharing assets; and $441 in thrift, savings and 401(k) assets. The latter was as of Aug. 31.

Benefit payments for 1986 were $95 million.

A total of $1.177 billion is managed internally: $350 million in equity, $490 million in fixed income, $195 million in short-term, and $142 million in other.

The fund has $15 million in oil and gas; $70 million in leveraged buy-outs; $20 million invested in real estate equity; and $60 million in mortgages.

The approximate asset mix of pension assets as of Sept. 30 was 41.7% stocks, 36.3% bonds, 11.9% cash, 1% real estate, 6.2% mortgages and 2.9% other.

**Equity managers:** Alliance; Batterymarch; Sanford Bernstein; Continental Illinois; Delaware Advisers; Harris Trust; HT Investors; Manufacturers National Bank of Detroit; Thorndike, Doran; Trinity.

**Bond managers:** Alliance; Continental Illinois; Harris Trust; HT Investors; NBD Detroit.

**Real estate:** Prudential.

Bankers Trust is master trustee.

Richard Watson, vice president-pension investments, oversees the fund.

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## Union Carbide Corp.

| | ($ millions) |
|---|---|
| Total assets | 3,200 |
| Defined benefit | 2,880 |
| Thrift or savings | 300 |
| Other | 20 |
| Employer contributions | 30 |
| Benefit payments | 200 |

DANBURY, Conn. — Total assets for the Union Carbide Corp. pension fund increased 11% in the year ended Sept. 30, to $3.2 billion from $2.88 billion.

Union Carbide terminated its defined benefit plan, recapturing $500 million of an $800 million surplus and putting $300 million in a continuing plan.

Fund executives during the period also created a thrift or savings plan, which had $300 million as of Sept. 30.

As part of the termination, Carbide negotiated a new form of annuity contract under which Prudential Asset Management Co. guarantees payment of the annuities to vested participants, but Carbide retains full discretion over the investment management of the assets. Under this arrangement, Carbide benefits from investment returns above those required to provide the annuities.

Also, James A. O'Connell retired as director of pension fund investment and was replaced by M.F. Hoben, who had been manager-trust investments at Exxon Corp.

As of Sept. 30, most of the assets were managed internally — $2 billion in fixed income, $400 million in equities, $100 million in short-term instruments and $90 million in real estate.

Union Carbide has $90 million in real estate equity. The fund uses stock options and stock index futures.

The asset mix as of Sept. 30 was 17% stocks, 77% bonds, 3% real estate equity, 1% cash equivalents and 2% annuities.

Manufacturers Hanover is master trustee.

Key personnel are Mr. Hoben; R.B. Burstein, bond manager; and L.R. Fuller, equity manager.

## Unisys Corp.

| | ($ millions) |
|---|---|
| Total assets | 3,880 |
| Defined benefit | 2,440 |
| Thrift or savings | 241 |
| 401(k) | 1,199 |
| Employer contributions | 123 |
| Benefit payments | 166 |

DETROIT, Mich. — The Unisys Corp. pension fund is a new entry to *Pensions & Investment Age's* listing of the nation's largest pension funds.

Unisys was formed from the acquisition last year by Burroughs Corp. of Sperry Corp.

Although company officials had not yet decided exactly how the two plans were going to be merged, *P&I Age* combined the assets for this listing at the request of Unisys officials.

During the past year, one equity manager — Metropolitan Life Insurance — was terminated by Sperry when it phased out handling of separate accounts. The company hired two equity managers — State Street Research & Management and Chase Manhattan Bank, which is using stock index futures to hedge Sperry's $326 million in indexed stocks.

The combined employee benefit assets totaled $3.88 billion as of Sept. 30, a 17.8% increase from the $3.295 Sperry and Burroughs had combined a year ago.

Sperry's employee benefit assets climbed 12.4% for the year through Sept. 30, to $2.81 billion from $2.5 billion. Of the $2.81 billion, $1.61 billion was in a defined benefit plan and $1.2 billion was in a 401 (k) plan.

Sperry's employer contribution was $77 million, and its benefit payments, $126 million.

Sperry manages $1.028 billion in house: $592 million in equities; $323 million in fixed income; $100 million in short-term instruments; and $13 million in other investments, mainly venture capital.

Some $326 million of its assets are in indexed stocks, $217 million in dedicated or immunized bond funds, $891 million in guaranteed investment contracts, $112 million in international equities, $15 million in international bonds, $3 million in other international investments, $10 million in venture capital and $5 million in mortgage-backed securities.

The asset mix as of Sept. 30 was 41% stocks, 19% bonds, 8% cash equivalents and 32% GICs.

Burroughs' employee benefit assets increased 34.8% to $1.072 billion in the year ended Aug. 31, from $795 million. Of the total, $831 million is in defined benefit plans and $241 million in thrift or savings plans.

Employer contributions were $46 million and benefit payments, $40 million.

Burroughs hired one fixed-income manager, M.D. Sass Investors, during the year.

The Burroughs fund has $252 million in indexed stocks; $84 million in dedicated or immunized bond funds; $12 million in GICs; $19 million in venture capital; $78 million in real estate equity; and $68 million in mortgage-backed securities.

The asset mix as of Aug. 31 was 70% stocks, 13% bonds, 6% cash equivalents, 9% real estate equity, and 2% venture capital. Fund officials divide mortgage-backed

## Funds investing in real estate equity

($ millions)

| Fund | Assets |
|---|---|
| American Telephone & Telegraph Co. | 2,078 |
| California Public Employees | 2,025 |
| Ohio Teachers Retirement System | 1,434 |
| TIAA-CREF | 1,280 |
| NYNEX Corp. | 691 |
| Pennsylvania School Employes | 668 |
| Teamsters Western Conference | 663 |
| Florida Board of Administration | 582 |
| United Nations | 580 |
| Westinghouse Electric Corp. | 560 |
| Connecticut Trust Funds | 556 |
| Prudential Insurance Co. | 552 |
| California State Teachers | 524 |
| Exxon Corp. | 454 |
| Pennsylvania State Employees | 379 |
| Oregon Employes Retirement System | 350 |
| Wisconsin Investment Board | 350 |
| Minnesota State Board | 325 |
| Shell Oil Co. | 307 |
| New York State Teachers | 304 |
| Ameritech | 300 |
| U S WEST Inc. | 280 |
| Southwestern Bell Corp. | 262 |
| Virginia Retirement System | 277 |
| United Technologies Corp. | 265 |
| Allied-Signal Inc. | 230 |
| Colorado Public Employees | 230 |
| UMWA Health & Retirement Funds | 230 |
| Washington State Investment Board | 226 |
| Caterpillar Inc. | 223 |
| Metropolitan Life Insurance Co. | 215 |
| Monsanto | 205 |
| Xerox Corp. | 204 |
| Eastern Air Lines & Pilots | 200 |
| UAL Inc. | 200 |
| Boilermakers-Blacksmiths | 195 |
| Illinois Universities | 193 |
| Ohio School Employees | 193 |
| Utah State Retirement Board | 187 |
| Atlantic Richfield | 186 |
| Ford Motor Co. | 175 |
| Sun Co. | 166 |
| LTV Corp. | 164 |
| Ohio Public Employees | 163 |
| Owens-Illinois | 162 |
| Alaska State Retirement Systems | 161 |
| Illinois State Board | 160 |
| Pacific Gas & Electric Co. | 146 |
| Delaware State | 125 |
| Illinois Teachers | 125 |
| North Carolina Retirement Systems | 125 |
| RJR Nabisco | 125 |
| Los Angeles County | 121 |
| Hughes Aircraft Co. | 120 |
| Iowa Public Employees | 113 |
| San Francisco Employees | 109 |
| Hercules Inc. | 107 |
| Honeywell Inc. | 107 |
| Aluminum Co. of America | 105 |
| Hawaii State Employees | 105 |
| International Paper Co. | 105 |
| J.C. Penney Co. Inc. | 103 |
| Michigan State Employees | 103 |
| Illinois Municipal Retirement Fund | 101 |
| Inland Steel Industries Inc. | 99 |
| Amoco Inc. | 98 |

| Fund | Assets |
|---|---|
| Amoco Corp. | 97 |
| Detroit Retirement Systems | 92 |
| Minnesota Mining & Manufacturing Co. | 92 |
| Union Carbide Corp. | 90 |
| Chrysler Corp. | 85 |
| ITT Corp. | 84 |
| Kentucky Retirement Systems | 81 |
| General Foods Corp. | 80 |
| Grumman Corp. | 80 |
| Aetna Life & Casualty Co. | 79 |
| Goodyear Tire & Rubber Co. | 78 |
| Nevada Public Employees | 72 |
| Standard Oil Co. | 72 |
| Travelers Insurance Co. | 70 |
| Hospital/Health Care Employees | 69 |
| Ohio Police and Fire | 69 |
| Idaho Public Employees | 68 |
| American Stores Co. | 65 |
| GTE Corp. | 65 |
| Sears Roebuck & Co. | 65 |
| Bechtel Power Corp. | 64 |
| CIGNA Corp. | 64 |
| K mart Corp. | 63 |
| Continental Can Co. | 62 |
| Navistar International Corp. | 60 |
| Raytheon Co. | 60 |
| Texaco Inc. | 60 |
| New York State Common Fund | 59 |
| Dow Chemical Co. | 56 |
| National Intergroup Inc. | 56 |
| Houston City, Fire and Police | 55 |
| World Bank | 55 |
| Massachusetts PRIT | 54 |
| Trans World Airlines | 54 |
| Kansas Public Employees | 51 |
| Chicago Employees | 47 |
| United Methodist Church | 45 |
| Unocal Corp. | 45 |
| IAM National Pension Fund | 44 |
| Southern New England Telephone | 42 |
| Eli Lilly and Co. | 38 |
| Kentucky Teachers Retirement | 35 |
| Presbyterian Church U.S.A. | 34 |
| Conoco Inc. | 32 |
| New York Life Insurance Co. | 31 |
| Florida Power & Light Co. | 29 |
| Southern Baptist Convention | 29 |
| E.I. du Pont de Nemours & Co. Inc. | 23 |
| Tennessee Valley Authority | 23 |
| Deere & Co. | 21 |
| Milwaukee City Employees | 20 |
| Textron Inc. | 20 |
| Philip Morris Inc. | 16 |
| New Mexico Public Employees | 15 |
| Massachusetts State Employees | 12 |
| S. Calif. Food/Commercial Workers | 12 |
| Southern California Edison | 11 |
| Episcopal Church Pension Fund | 10 |
| Southern Co. | 9 |
| Halliburton Savings Plan | 8 |
| Teamsters Central States | 8 |
| Alabama Retirement Systems | 4 |
| Georgia State Retirement Systems | 3 |
| Arizona State Retirement System | 3 |
| Total | 28,181 |

securities between bonds and cash.

**Equity managers** (Sperry): Chase Manhattan; INVESCO; Mellon Bank; Mellon Pictet; Mercator; T. Rowe Price; Putnam; State Street Research & Management; Thorndike Doran Paine & Lewis; Travelers; Wellington Management; Wells Fargo Investment Advisors.

(Burroughs): Fred Alger; Concord; Geewax, Terker; Lazard Freres; Liberty Square; Mellon Capital Management; Nicholas-Applegate; NWQ; Pacific Financial Research; PRIMECAP; Thomson Horstmann & Bryant; United Capital Management.

**Fixed income** (Burroughs): Harris Trust and Savings Bank; M.D. Sass Investors.

**Real estate** (Burroughs): Coldwell Banker; JMB; LaSalle Advisors.

**Venture capital** (Burroughs): Manufacturers Hanover Trust Co.

Chase Manhattan Bank is Sperry's master trustee. Northern Trust Co. is master trustee for Burroughs savings plan. Harris Trust is Burroughs' master trustee.

Leon J. Level, Unisys vice president and treasurer, and David A. White, Unisys corporate director-capital management and trust investments, oversee both funds.

## UAL Inc.

| ($ millions) | |
|---|---|
| Total assets | 2,600 |
| Defined benefit | 1,600 |
| Defined contribution | 1,000 |
| Employer conirbutions | 86 |
| Benefit payments | 110 |

CHICAGO — UAL Inc. switched to a mutual fund-like investment management approach for the then-$925 million United Air Lines Pilot Variable plan. As part of the switch, developed with Frank Russell Co., United hired nine new managers, retained four and dropped six.

The managers hired, and their portfolios, were: Frank Russell Trust Co., government fixed income; Boston Safe Deposit & Trust Co., Standard & Poor's 500 stock index fund; BEA Associates Inc. and Sanford C. Bernstein Inc., intermediate fixed income; Barrow Hanley Mewhinney & Strauss, income- and value-oriented equities; Jundt/Capen Associates, growth-oriented equities; Geo Capital Corp., Verus Capital and Jundt/Capen, aggressive special equities; Mercator Asset Management, international equities; and Boston Safe, money market fund.

The managers retained, and their portfolios, were: Thorndike Doran Paine & Lewis, domestic growth equities; Capital Guardian Trust Co., international equities; Discount Corp. of New York, short-term securities; and Trinity Investment Management Corp., income- and value-oriented equities.

The managers dropped, and their portfolios, were: Batterymarch Financial Management, Jennison Associates Capital Corp. and Lincoln Capital Management Co., all in domestic equities; G.T. Capital Management Inc., international equities; Wells Fargo Investment Advisors, S&P 500 stock index fund; and Harris Trust and Savings Bank, government fixed income.

The variable plan also hired Frank Russell Trust as master trustee, replacing National Bank of Detroit, and Boston Safe for record keeping, previously handled internally.

UAL postponed indefinitely the termination of two defined benefit plans covering pilots and flight attendants.

Lawsuits filed by the two employee groups delayed the terminations. Eventually, the drop in interest rates, increasing the present value of accrued liabilities, meant termination was no longer an attractive alternative for the airline.

The company did complete the termination of three other plans during 1985, recapturing $136.8 million.

UAL officials had announced in 1985 they intended to recapture $962 million through the termination of five plans then with $2.6 billion total assets.

During 1986, the company hired David J. Dykstra, formerly manager of insurance and pensions of Midcon Corp., to replace Robert J. Gillette as director-pension assets.

Mr. Gillette left to join Frank Russell Co. as a vice president-client executive and senior investment consultant.

As of Sept. 30, UAL had employee benefit assets totaling $2.6 billion, down 23.8% from the $3.411 billion as of June 30, 1985. Mr. Dykstra attributed the decline to the three plan terminations.

Defined benefit assets declined 43.8% because of the terminations, while defined contribution assets increased 76.7%. Mr. Dykstra attributed the increase in defined contribution assets to strong investment performance and increased contributions.

Employer contributions were $86 million and benefit payments, $110 million.

UAL manages $700 million in defined benefit assets internally, all in fixed income. The defined benefit plan also has $700 million invested in a stock index fund and $200 million in real estate equity.

As of Sept. 30, the approximate asset mix of defined benefit assets was 44% stocks, 44% bonds and 12% real estate equity.

**Equity manager:** Wells Fargo.

**Real estate managers:** LaSalle Partners; PM Realty; RREEF.

National Bank of Detroit is the master trustee for the defined benefit plan. Frank Russell is the fund's consultant.

Mr. Dykstra oversees the investment management of the employee benefit assets.

## United Mine Workers of America Health & Retirement Funds

| ($ millions) | |
|---|---|
| Total assets | 4,223 |
| Defined benefit | 4,223 |
| Employer contributions | 500 |
| Benefit payments | 400 |

WASHINGTON — The United Mine Workers of America Health & Retirement Funds underwent a major restructuring during 1986, terminating 10 investment managers and hiring nine.

Five equity managers were dropped: Batterymarch Financial Management; Torray Clark; Pioneering Management; Thompson, Siegel & Walmsley; and Tower Capital Management.

Those five were replaced with eight: Barrow, Hanley, Mewhinney & Strauss; Brignoli, Curley & Roberts; Concord Capital Management; Dreman & Embry; Lazard Freres Asset Management; Loomis, Sayles; The Windsor Fund; and Wells Fargo Investment Advisors.

In fixed income, two managers were dropped: Lehman Management and T. Rowe Price Associates.

The fund also dropped Bankers Trust as cash manager, an act that may have been prompted by cash-flow considerations.

The multiemployer fund grew 24.3% during the 12 months ended Sept. 30, to $4.223 billion from $3.398 billion. Growth was impeded somewhat when a separate plan for construction workers was established with $80 million of its assets.

Employer contributions during 1986 totaled $500 million and

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benefit payments, $400 million.

The plan runs about $550 million internally, $500 million in a bond indexing program and $50 million in short-term assets.

It also has $300 million in indexed stocks; $1.6 billion in dedicated or immunized bonds; $230 million in real estate equity; and $100 million in mortgage-backed securities.

It uses fixed-income futures and applies dynamic hedging on $500 million of its equity assets.

The asset mix as of Sept. 30 was 37% stocks, 49% bonds, 7% cash equivalents, 5% real estate equity and 2% mortgage-backed securities.

**Equity managers:** Argus Investors; Barrow, Hanley, Mewhinney & Strauss; Brignoli, Curley & Roberts; Concord Capital; Denver Investment; Dreman & Embry; Lazard Freres; Loomis, Sayles; Warburg, Pincus; Wells Fargo; Windsor Fund.

**Bond managers:** Criterion Investment; Loomis, Sayles; J.P. Morgan; STW Fixed Income.

**Real estate managers:** Equitable; Goldman, Sachs; Metropolitan Life; Prudential; RREEF; State Street; TCW Realty.

The fund uses Boston Safe Deposit & Trust Co. as custodian.

Key personnel are Jerry N. Clark, executive director, and Charles S. Stephens, director of investments and treasurer.

## United Nations Joint Staff Pension Fund

| | ($ millions) |
|---|---|
| Total assets | 5,884 |
| Defined benefit | 5,884 |
| Employer contributions | 340 |
| Benefit payments | 350 |

UNITED NATIONS — Pierre Henchoz replaced Timothy P. Prince as chief of the investment management section at the United Nations Joint Staff Pension Fund. Mr. Henchoz previously was with Banque Cantonal Vaudoise, Lausanne, Switzerland.

Assets for the fund increased 35.1% in the year ended Sept. 30, to $5.884 billion from $4.354 billion a year earlier.

Both employer contributions and benefit payments were lower in 1986: contributions were down 8.8% to $340 million and benefits payments were down 4.4% to $350 million.

The fund is internally managed except for $580 million in real estate assets. Names of its real estate advisers were not available.

Of the internally managed assets, $3 billion is in equity; $1.77 billion in fixed income and $534 million in short-term assets.

Fiduciary Trust Co. of New York provides investment advice and is the fund's custodian.

The fund had nearly half of its assets invested overseas: $1.48 billion in equities, $1.1 billion in fixed income; and $175 million in short-term and real estate investments. This represents an 85% increase from the previous year, which fund officials attributed to market appreciation and an increased allocation.

As of Sept. 30, the fund's asset mix was 50% stocks, 30% bonds, 9% cash equivalents, and 11% real estate equity.

In addition to Mr. Henchoz, key personnel are J. Richard Foran, controller, and Henry Ouma, deputy chief, investment management section.

## United Technologies Corp.

| | ($ millions) |
|---|---|
| Total assets | 6,108 |
| Defined benefit | 4,758 |
| Thrift or savings | 1,350 |
| Employer contributions | 360 |
| Benefit payments | 195 |

HARTFORD, Conn. — United Technologies Corp. in November agreed to provide credits of $90 million to the Department of Defense because two of its pension plans reached the full-funded limitation status.

In October, the fund cut back international equity because it was 70% overweighted with respect to its target of 20%.

Employee benefit assets at United Technologies increased 18.6% to about $6.1 billion as of Sept. 30 from $5.15 billion a year earlier.

Defined benefit assets increased 17.5% to about $4.8 billion as of Sept. 30 from about $4 billion a year ago.

Managers terminated during the year include five for equity, Connecticut National Bank, CIGNA, HLM, Management Asset and Olympic Capital Management; one for fixed income, Miller Anderson Sherrerd; two for international equity managers, Putnam International Advisors and Batterymarch Financial Management; and two for real estate, Citibank and InterFirst Investment Management.

The fund hired its first international fixed-income managers, four additional venture capital managers, two domestic fixed-income managers and two real estate managers.

It has $265 million in real estate equity; $30 million in mortgage-backed securities; $291 million in indexed stocks; $33 million in a dedicated or immunized bond portfolio; $576 million in international equities; $132 million in international fixed income; $26 million in venture capital; $10 million in oil and gas; and $70 million in leveraged buy-outs.

The fund uses stock options and stock index futures. Portfolio insurance or dynamic hedging is used on a nominal amount of the assets.

The asset mix as of Sept. 30 was 35% equities, 29% annuities, 11% fixed income, 2% cash equivalents, 12% international equities, 6% real estate equity, 3% international fixed income and 2% venture capital and leveraged buy-outs.

("Nominal" investments in mortgage-backed securities, oil and gas, and GICs were not accounted for in the asset mix.)

**Equity managers** (Domestic): Bankers Trust; Brignoli, Curley & Roberts; Citibank; Fidelity; Hellman Jordan; Jennison Associates; Lehman Management; Nicholas-Applegate; Sanford Bernstein; Trinity Investment; TCW; Value Line; Wertheim; Wright Investors.

(International): A&S Bleichroeder; ABD; Prudential; Swiss Bank PMI; Schroder Capital; State Street.

**Fixed-income managers** (Domestic): CIGNA; Delaware; Jennison; Loomis Sayles; Morgan Stanley; MacKay-Shields; Neuberger & Berman; Scudder Stevens; TCW; Travelers; W.R. Huff.

(International): First Chicago; N.M. Rothschild.

**Real estate managers:** Aetna; Babson; CIGNA; Eastdil; Equitable; Prudential; Public Storage; Security Capital.

**Venture capital managers:** Abacus; Advanced Technology; Bridge Capital; Charles River; Crossroads; HLM Partners; Jafco Japan-U.S. Venture; Morgan Holland; Narragansett; Sprout; TCW; Venture Lending; Venturtech II.

**Cash:** Payden & Rygel; Aetna GIC.

Citibank is custodian and Frank Russell Co. is investment management consultant.

Key investment personnel are Beverly L. Hamilton, vice president pension investments; and Frances M. Crimbly, Edgar O. Cheney and Carl W. Strayer, directors-pension investments.

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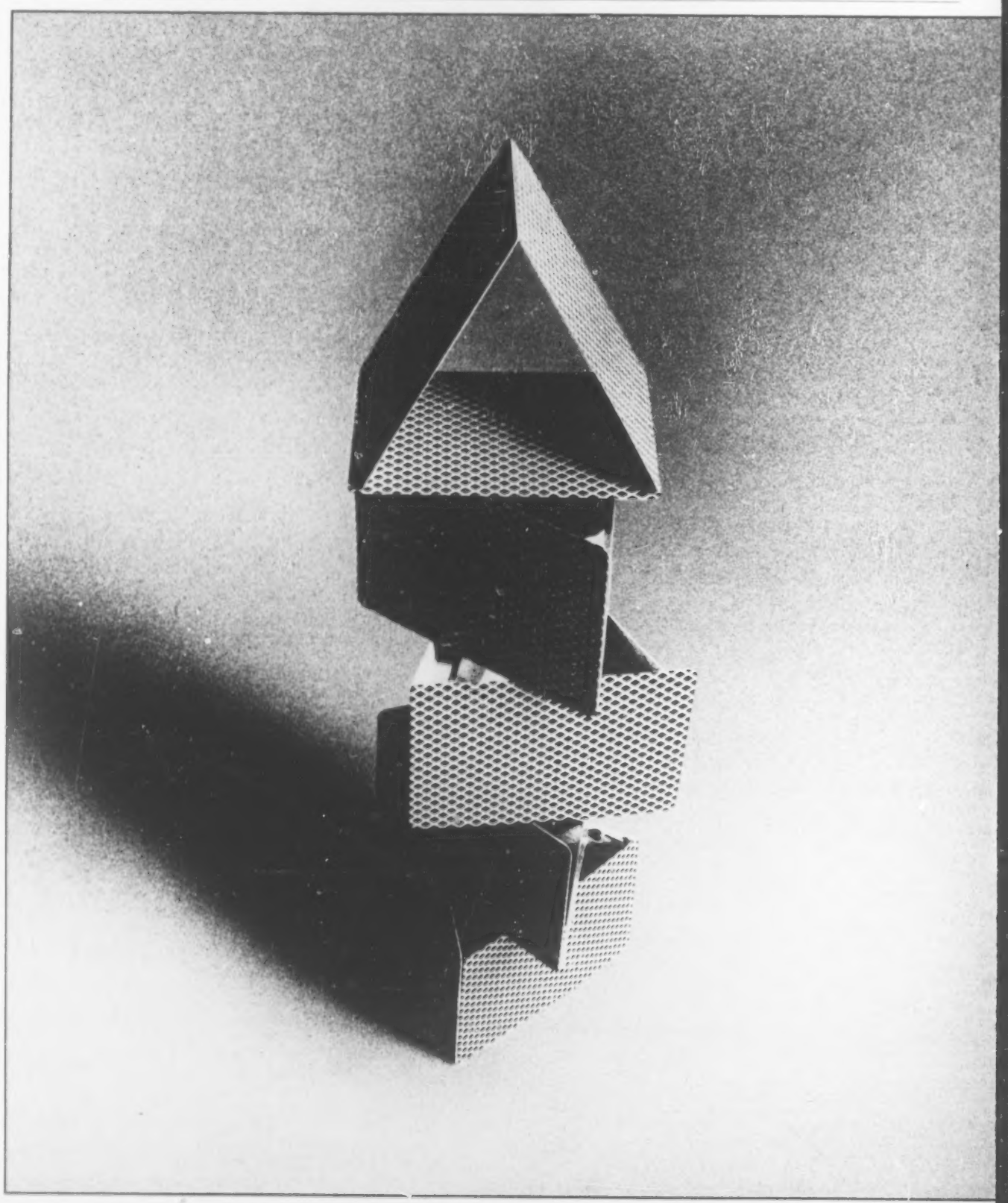
Money mover scorecard: Feb. 9.



## U S WEST Inc.

| | ($ millions) |
|---|---|
| Total assets | 7,350 |
| Defined benefit | 6,350 |
| Defined contribution | 1,000 |
| Employer contributions | 150 |
| Benefit payments | 300 |

ENGLEWOOD, Colo. — U S WEST Inc. sharply increased its alternative investments in the year ended Sept. 30.

Its international investments rose more than tenfold. Its venture capital commitment leaped more than 300%. And with the hiring of Trust Co. of the West, it raised its commitment to oil and gas to about $50 million, up from just $1 million it had with Citibank as a result of the Bell system breakup.

In addition, its real estate equity investments rose 35% to $290 million from $215 million for the year ended Sept. 30. That increase excludes a more recent $240 million real estate development in Jersey City, N.J., in which U S WEST will provide $100 million in equity, assume a $60 million loan and seek $80 million in additional loans for the rest of the financing. The latest development will boost U S WEST's real estate investments to a total of $530 million, giving the fund a 146% increase since Sept. 30, 1985.

Also, U S WEST added nearly $1 billion to a dedicated bond portfolio, nearly doubling its size to $2.026 billion in the year ended Sept. 30.

In international, it hired Boston Co. to run a $100 million international stock index fund. Also, it moved an international equity portfolio to Oechsle Advisors from Putnam International. As of Sept. 30, its international investments totaled $570 million: $500 million in equities and $70 million in fixed income. That's up from $53 million, all in equities, a year earlier.

U S West's venture capital commitments were at $200 million as of Sept. 30, up from $47 million in the prior year, although they haven't all been funded yet.

In other manager changes, it hired Payden & Rygel to run short-term cash and Moran Asset Management to run equities, while it released First Interstate and United Capital Management, respectively, fixed-income and equity managers.

In the year ended Sept. 30, U S WEST's employee benefit assets rose 29.5% to $7.35 billion from $5.675 billion. Its defined benefit assets grew 28% to $6.35 billion from $4.964 billion, while its combined defined contribution and profit-sharing assets increased 40.6% to $1 billion from $711 million. U S WEST officials attributed the increases in both funds to market performance.

Contributions dropped 26% to $150 million in 1986 from $204 million in 1985. In the same period, its benefit payments rose 48.5% to $300 million from $202 million.

Among its other investments, U S WEST runs $30 million of its pension assets in-house in venture capital. Also, it has $1 billion in indexed stocks and uses stock-index futures.

The asset mix as of Sept. 30 was 50% domestic stocks, 33% domestic bonds, 1% cash equivalents, 5% real estate equity, 10% international and 1% venture capital.

**Equity managers** (domestic): Brignoli, Curley & Roberts; Capital Guardian; Concord; Denver Investment Advisors; First Manhattan; David J. Green; Mellon Capital; Moran; PRIMECAP; Sarofim; Trinity; Wells Fargo.

(International): Boston Co.; First Chicago; Oechsle.

**Bond managers:** Jennison; National Investment Services of America.

**Real estate managers:** Copley; Equitable; Jones Lang Wootton; LaSalle; Security Capital; TCW.

**Short-term investment manager:** Payden & Rygel.

**Oil and gas managers:** Citibank; TCW.

Boston Safe Deposit & Trust is master trustee.

Key investment staff members are J.R. Belquist and M.B. Gorrell, both managers-trust investments, and James J. Biundo, director-trust investments.

## USX Corp.

| | ($ millions) |
|---|---|
| Total assets | 9,400 |
| Defined benefit | 9,000 |
| Thrift or savings | 400 |
| Employer contributions | 0 |
| Benefit payments | na |

PITTSBURGH — The internal managers of the U.S. Steel and Carnegie Pension Fund assumed control of the $600 million pension fund for employees of Marathon Oil Co., which was acquired by USX Corp (formerly U.S. Steel Corp.) four years ago.

Marathon's managers, released when the internal team assumed control, were: The Boston Co. Institutional Investors; IDS Advisory Group; Jennison Associates; Lord Abbett & Co.; and The Vanguard Group.

Although the Marathon fund will remain a separate entity, its assets are included in the totals above.

USX's employee benefit assets grew 17.5% to $9.4 billion as of Sept. 30 from $8 billion a year earlier. Defined benefit assets increased 20% to $9 billion from $7.5 billion a year earlier while thrift or savings plan assets declined 20% to $400 million from $500 million.

The fund has $135 million in international equities, $20 million in oil and gas, $60 million in mortgages and $500 million in mortgage-backed securities. It uses stock options and stock index and fixed-income futures.

The asset mix as of Sept. 30 was 60% stocks, 30% bonds and 10% cash equivalents. Mortgages and mortgage-backed securities are included in bonds.

The fund's master custodians are Morgan Bank, U.S. Trust Co. and Chase Manhattan.

Gary A. Glynn is the president of the U.S. Steel and Carnegie Pension Fund; John G. Van Deu-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sen is senior vice president; and Peter C. Lincoln is vice president-investments.

## Utah State Retirement Board

| | ($ millions) |
|---|---|
| Total assets | 2,688 |
| Defined benefit | 2,688 |
| Employer contributions | 160 |
| Benefit payments | 60 |

SALT LAKE CITY — The Utah State Retirement Board increased the amount it has in indexed equities by 54% during the year ended Sept. 30. Indexed stocks totaled $400 million, up from $260 million the previous year.

Indexed stocks are managed internally by the board as a core portfolio.

The board also boosted its commitment to venture capital by $5 million to a total of $20 million.

Its equity real estate holdings were increased to $187 million from $139 million the previous year.

Total assets of the fund increased 24% to $2.688 billion in the year ended Sept. 30, from $2.16 billion.

Internally managed assets total $1.969 billion, of which $492 million is in equities, $1.056 billion in fixed income, $346 million in short-term investments and $75 million in other investments.

The fund also has $23 million in mortgages and $109 million in mortgage-backed securities.

It uses stock options.

The asset mix of the fund as of Sept. 30 was 41% stocks, 35% bonds, 12% cash equivalents, 7% real estate equity, 1% mortgages and 4% mortgage-backed securities.

**Equity advisers:** Atalanta/Sosnoff; Capital Consultants; Smoot, Miller & Cheney; Value Line; Wasatch Advisors.

**Real estate adviser:** F.I.A. Associates.

Chemical Bank is the fund's custodian.

W. Dan Smith is the investment officer; Richard Cherry is assistant investment officer; and Bert D. Hunsaker is executive director.

V

## Virginia Supplemental Retirement System

| | ($ millions) |
|---|---|
| Total assets | 6,296 |
| Defined benefit | 6,296 |
| Employer contributions | 650 |
| Benefit payments | 325 |

RICHMOND, Va. — In 1986, executives of the Virginia Supplemental Retirement System continued an investment management overhaul operation begun in 1985. The fund farmed out a significant amount of its in-house assets, dropping the total managed internally to $450 million in equity from $1.822 billion in equity, fixed income and short-term assets.

The fund started out 1986 hiring four new real estate managers, which brought its roster of real estate managers to eight.

The new realty hirings are: Eastdil Realty Inc., J.P. Morgan Investments Management; New England Mutual Life Insurance Co.; and Phoenix Mutual Life Insurance Co. The fund also gave a fifth new account to existing manager, Equitable Real Estate Investment Management.

Early in the year, the fund hired Sovran Bank as a fixed-income manager. In November, another five fixed-income managers were hired: Sanford C. Bernstein & Co. Inc.; Lehman Management Co. Inc.; McKay-Shields Financial Corp.; Merganser Capital Management Corp.; and Security Capital Management.

Last July, the fund also added Rosenberg Institutional Equity Management as an equity manager, and, in an unconnected move, terminated an equity account run by Putnam Advisory Co. Inc.

The fund grew 40% during the 12 months ended Sept. 30 to $6.296 billion from $4.509 billion the same time in 1985. The growth, helped by a $320 million positive cash flow, was primarily the result of a favorable investment experience, according to a fund official.

Employer contributions for 1986 remained unchanged from 1985 at $650 million. Benefits paid out to retirees were down slightly, 7.1%, to $325 million from $350 in 1985.

The fund has $1.408 billion in indexed stocks, an increase over the previous 12 months of 58%; $276.7 million in real estate equity; $33.2 million in mortgages; and $200 million in mortgage-backed securities.

It uses stock index futures and fixed-income futures.

Depite all the manager changes, the total asset mix of the fund changed little over the 12-month period. On Sept. 30, the asset mix was 57.1% equities; 28.1% bonds; 6.7% cash equivalents; 4.4% real estate equity; 0.5% mortgages and 3.2% mortgage-backed securities.

Sovran Bank is the custodian.

The fund uses Wilshire Associates and Rogers, Casey & Barksdale as investment consultants.

**Equity managers:** Batterymarch; Brignoli, Curley & Roberts; Concord; Corinthian; Delaware; GAMCO; Hellman, Jordan; Jundt/Capen; IDS Advisory; Lincoln Capital; McKenzie Walker; Mellon; Nicholas-Applegate; Pacific Financial; Rosenberg; Schafer Capital; Donald Smith & Co.; Wells Fargo Investment Advisors; TCW.

**Fixed-income managers:** Sanford C. Bernstein; Lehman; Massachusetts Financial Services; McKay-Shields; Merganser; Security Capital; Sovran Bank.

**Real estate managers:** Eastdil; Equitable; LaSalle; J.P. Morgan; New England Life; Phoenix Mutual; Prudential; RREEF.

Key personnel are: Timothy R. Barron, director of investments; Gary Allen, director of internal asset management; and Tim Hassard, real estate officer.

W

## Washington State Investment Board

| | ($ millions) |
|---|---|
| Total assets | 8,100 |
| Defined benefit | 8,100 |
| Employer contributions | 370 |
| Benefit payments | 470 |

OLYMPIA, Wash. — As of Sept. 30, the Washington State Investment Board reported $8.1 billion in defined benefit assets, an increase of 20% from the previous year.

Contributions to the plan for 1986 were $370 million; benefit payments totaled $470 million.

The board manages $3.647 billion internally: $660 million in equity; $2.65 billion; and $337 million in short-term instruments.

It has $2.1 billion in indexed stocks and $505 million in indexed bonds; $190 million in venture capital; $560 million in leveraged buy-outs; $226 million in real estate equity; $523 million in mortgages; and $612 million in mortgage-backed securities.

The fund uses stock options, stock index futures, bond options and fixed-income futures.

The asset mix as of Sept. 30 was 45% stocks, 27% bonds, 4% cash equivalents, 3% real estate equity, 6% mortgages, 7% mortgage-backed securities and 8% venture capital and leveraged buy-outs.

During the year, the fund dropped Batterymarch Financial Management and Torray Clark & Co. as equity managers.

**Equity managers:** Columbia; Hotchkis & Wiley; Mellon Capital (passive); Schafer; Donald Smith; United; Wells Fargo (passive).

**Real estate managers:** Copley; Equitable; Pacific Mutual; RREEF; Smith Barney.

### Funds with indexed bonds
($ millions)

| Fund | Assets |
|---|---|
| American Telephone & Telegraph Co. | 3,671 |
| GTE Corp. | 1,199 |
| NYNEX Corp. | 1,068 |
| Pennsylvania State Employees | 633 |
| Continental Can Co. | 622 |
| Mississippi PERS | 620 |
| Illinois Teachers | 587 |
| Washington Investment Board | 505 |
| Ameritech | 500 |
| Arizona State Retirement System | 492 |
| International Operating Engineers | 459 |
| New York City Retirement Systems | 458 |
| UMWA Health & Retirement Funds | 450 |
| Massachusetts PRIT | 334 |
| Illinois Universities | 279 |
| Deere & Co. | 275 |
| Exxon Corp. | 233 |
| Teamsters Central States | 207 |
| IAM National Pension Fund | 167 |
| Florida Power & Light Co. | 155 |
| Aluminum Co. of America | 130 |
| Minnesota Mining & Manufacturing Co. | 125 |
| Teamsters Western Conference | 112 |
| Presbyterian Church U.S.A. | 110 |
| Delaware State | 101 |
| Sun Co. | 99 |
| Tennessee Valley Authority | 61 |
| Iowa Public Employees | 53 |
| Owens-Illinois | 44 |
| National Intergroup Inc. | 30 |
| Hercules Inc. | 28 |
| Bakery & Confectionery Workers | 5 |
| **Total** | **13,812** |

### Funds with indexed stocks
($ millions)

| Fund | Assets |
|---|---|
| TIAA-CREF | 15,000 |
| New York State Common Fund | 9,920 |
| American Telephone & Telegraph Co. | 7,986 |
| California State Teachers | 6,875 |
| New York City Retirement Systems | 6,738 |
| New York State Teachers | 5,977 |
| California Public Employees | 5,572 |
| NYNEX Corp. | 3,855 |
| Maryland State Retirement | 2,696 |
| General Electric Co. | 2,602 |
| Teamsters Central States | 2,452 |
| Washington Investment Board | 2,100 |
| E.I. du Pont de Nemours & Co. Inc. | 2,040 |
| Ford Motor Co. | 2,000 |
| Minnesota State Board | 1,994 |
| Southwestern Bell Corp. | 1,845 |
| Exxon Corp. | 1,703 |
| Illinois Teachers | 1,516 |
| Virginia Retirement System | 1,400 |
| Florida Board of Administration | 1,381 |
| Pennsylvania State Employees | 1,264 |
| Pennsylvania School Employes | 1,157 |
| Deere & Co. | 1,104 |
| Bell Atlantic Corp. | 1,100 |
| Arizona State Retirement System | 1,092 |
| U S WEST Inc. | 1,000 |
| Illinois Universities | 787 |
| UAL Inc. | 700 |
| Sears Roebuck & Co. | 618 |
| GTE Corp. | 577 |
| Shell Oil Co. | 566 |
| World Bank | 505 |
| Aluminum Co. of America | 500 |
| Ameritech | 500 |
| Ohio School Employees | 480 |
| General Foods Corp. | 475 |
| Allied-Signal Inc. | 440 |
| Raytheon Co. | 400 |
| Utah State Retirement Board | 400 |
| United Methodist Church | 382 |
| Southern New England Telephone | 366 |
| Delaware State | 357 |
| International Operating Engineers | 346 |
| Illinois Municipal Retirement Fund | 335 |
| Honeywell Inc. | 310 |
| Cooper Industries Inc. | 300 |
| Nevada Public Employees | 300 |
| UMWA Health & Retirement Funds | 300 |
| Connecticut Trust Funds | 291 |
| United Technologies Corp. | 291 |
| Tenneco Inc. | 252 |
| Presbyterian Church U.S.A. | 251 |
| Kentucky Retirement Systems | 250 |
| Mississippi Public Employees | 250 |
| Massachusetts PRIT | 249 |
| Dow Chemical Co. | 246 |
| Chevron Corp. | 240 |
| Chrysler Corp. | 240 |
| Tennessee Valley Authority | 240 |
| Amoco Corp. | 195 |
| Florida Power & Light Co. | 186 |
| Hawaii State Employees | 182 |
| Teamsters Western Conference | 180 |
| Minnesota Mining & Manufacturing Co. | 179 |
| Texaco Inc. | 163 |
| Armco Inc. | 162 |
| Georgia State Retirement Systems | 160 |
| Ohio Police and Fire | 154 |
| National Rural Electric Co-op | 149 |
| Sun Co. | 149 |
| San Francisco Employees | 146 |
| Prudential Insurance Co. | 144 |
| Pacific Gas & Electric Co. | 135 |
| Alabama Retirement Systems | 120 |
| Eli Lilly and Co. | 113 |
| Standard Oil Co. | 102 |
| Massachusetts State Employees | 100 |
| IAM National Pension Fund | 93 |
| ITT Corp. | 85 |
| Goodyear Tire & Rubber Co. | 79 |
| Iowa Public Employees | 79 |
| Houston City, Fire and Police | 70 |
| Bechtel Power Corp. | 69 |
| Dart & Kraft Inc. | 65 |
| Trans World Airlines | 64 |
| S. Calif. Food/Commercial Workers | 52 |
| K mart Corp. | 51 |
| International Paper Co. | 47 |
| Southern California Edison | 47 |
| J.C. Penney Co. Inc. | 41 |
| National Intergroup Inc. | 36 |
| Owens-Illinois | 36 |
| Inland Steel Industries Inc. | 31 |
| Delta Air Lines Inc. | 30 |
| PPG Industries Inc. | 30 |
| Travelers Insurance Co. | 30 |
| Hercules Inc. | 29 |
| Detroit Retirement Systems | 28 |
| Motorola | 20 |
| Bakery & Confectionery Workers | 5 |
| **Total** | **108,949** |

The board's master custodian is Chase Manhattan; its investment management consultant is Frank Russell Co.

John A. Hitchman is executive director.

## Westinghouse Electric Corp.

| | ($ millions) |
|---|---|
| Total assets | 4,800 |
| Defined benefit | 3,800 |
| Thrift or savings | 1,000 |
| Employer contributions | 100 |
| Benefit payments | 365 |

PITTSBURGH — Thomas G. Scannell was appointed director-pension investments at Westinghouse Electric Corp., replacing T.A. Gudiness, who retired.

Total employee benefit assets increased 13% to $4.8 billion as of Sept. 30, up from $4.25 billion a year earlier.

During the year, the fund increased its equity and fixed-income exposures, taking money from cash equivalents. The fund's asset mix as of Sept. 30 was 28% stocks, 48% bonds, 6% cash, 14% real estate equity and 4% mortgage-backed securities.

Much of the fund is managed internally, by Westinghouse Pension Investments, but Mr. Scannell would not disclose the amount.

The fund uses stock options and stock index futures, and has $1.25 billion invested in dedicated or immunized bond funds, $560 million in real estate equity, $125 million in mortgages and $30 million in venture capital. Portfolio insurance is used to protect about $140 million.

**Equity managers:** Brignoli, Curley & Roberts; Manufacturers Hanover; Pittsburgh National Bank, Provident Capital; Stralem.

**Bonds:** Equitable; MacKay-Shields; Pioneering; Putnam.

**Real Estate:** Citibank; Equitable; First Chicago; Mellon.

Mellon Bank is custodian; Wilshire Associates is the investment management consultant.

Mr. Scannell is the key investment officer.

## State of Wisconsin Investment Board

| | ($ millions) |
|---|---|
| Total assets | 13,500 |
| Defined benefit | 11,400 |
| Defined contribution | 2,100 |
| Employer contributions | 305 |
| Benefit payments | 360 |

MADISON, Wis. — The Wisconsin State Board of Investment re-entered the venture capital arena in June, committing $11.5 million through three firms.

Bridge Capital Investors II received $6 million; Davis Venture Partners, $1.5 million; and Olympic Venture Partners II, $4 million.

The fund also increased its commitment to Madison Capital Corp., which had been given $400,000 initially and will receive up to $5 million during the next few years.

The fund, which is internally managed and therefore lists no managers, is involved in seven other venture capital partnerships for a total commitment of $60 million.

During the year, the fund also participated in Farm Credit investments — short-term securities with maturities of six months to five years. It invested "several hundred million" in the securities.

A study on the cost of divesting South Africa-related stocks was completed by SEI Funds Evaluation Service in February and the state Assembly and Senate later received legislation on a shareholder bill, which would have required the fund as a shareholder to encourage companies to get out of South Africa.

The bill passed the state Assembly but died weeks later in the Senate.

The total assets of the retirement system increased 25% to $13.5 billion for the 12 months ended Sept. 30 from $10.8 billion. Defined benefit assets increased 23.9% to $11.4 billion from $9.2 billion and defined contribution assets were up 31.3% to $2.1 billion from $1.6 billion.

The employer contribution was $305 million, up 32.6% from $230 million; benefits paid out during 1986 were $360 million, up 30.9% from $275 million.

In addition to its $60 million venture capital commitment, the fund has $50 million invested in Canadian fixed income; $200 million in leveraged buy-outs; $350 million in real estate equity; $150 million in mortgages and $500 million in mortgage-backed securities.

The investment board uses fixed-income futures.

The asset mix as of Sept. 30 was 31% stocks, 51% bonds, 15% cash equivalents and 3% real estate equity. Mortgage-backed securities are included in bonds and venture capital, in equities.

Morgan Guaranty is custodian.

Kenneth E. Codlin is executive director; Pat Lipton is executive assistant.

Annual PIPER listings: Feb. 23.

# 101-200

## Abbott Laboratories

Abbott Park, Ill.

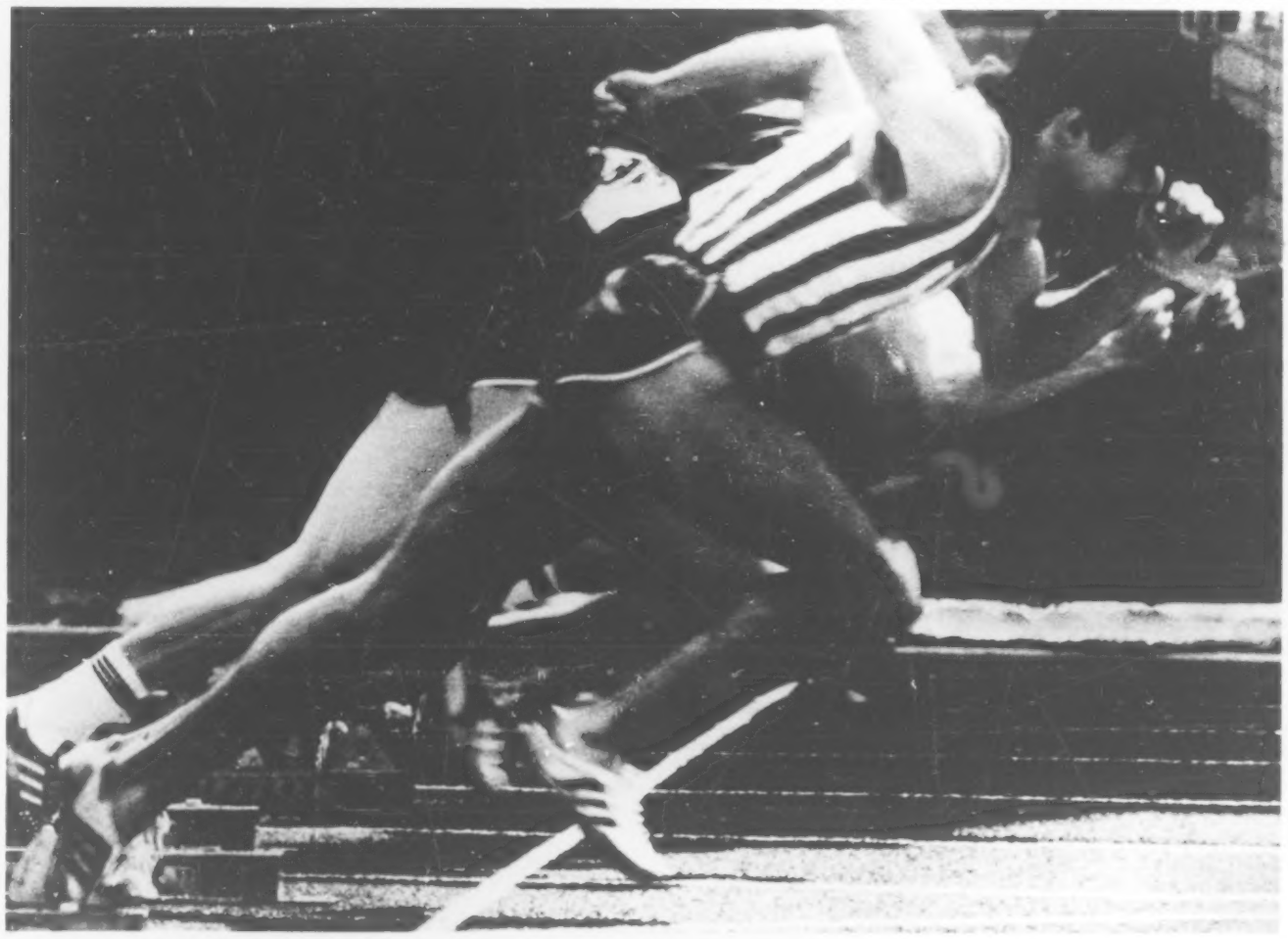
| | ($ millions) |
|---|---|
| Total assets | 1,160 |
| Defined benefit | 590 |
| Defined contribution | 570 |
| Employer contributions* | 36 |
| Benefit payments | na |
| In-house assets* | 534 |

*Source: Money Market Directory

## Aetna Life & Casualty Co.

Hartford, Conn.

| | ($ millions) |
|---|---|
| Total assets | 1,936 |
| Defined benefit | 1,291 |
| 401(k) | 624 |
| IRAs | 21 |
| Employer contributions | 31 |
| Benefit payments | 40 |
| Portfolio insurance | 600 |
| In-house assets: | |
| Equities | 626 |
| Fixed income | 351 |
| Short term | 30 |
| Other | 284 |
| Passive investments: | |



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BA Investment Management Corporation

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GICs....351
Alternative investments:
International equities....83
Real estate equity....79
Mortgages....18
Mortgage-backed securities....21
Hedging devices:
Stock options....Y
Stock index futures....Y
Asset mix:
Stocks....48.5%
Bonds....6.5%
Cash equivalents....2.3%
Real estate equity....6%
Mortgages....1.4%
Mortgage-backed securities....1.6%
GICs....27.2%
International....6.5%

## American Stores Co.

Salt Lake City, Utah

($ millions)

Total assets....1,254
Defined benefit....73
Defined contribution....1,155
Profit-sharing....10
PAYSOP....16
Employer contributions....65
Benefit payments....12
Portfolio insurance....186

Alternative investments:
International equities....49
Real estate equity....65
Hedging devices:
Stock index futures....Y
Asset mix:
Stocks....50.4%
Bonds....29.6%
Cash equivalents....14.5%
Real estate equity....5.5%

## Arkansas Teacher Retirement System

Little Rock, Ark.

($ millions)

Total assets....1,489
Defined benefit....1,489
Employer contributions....83
Benefit payments....63

In-house assets:
Short term....155
Alternative investments:
Mortgages....35
Mortgage-backed securities....46
Asset mix:
Stocks....40.9%
Bonds....41.2%
Cash equivalents....11.8%
Mortgages....2.6%
Mortgage-backed securities....3.5%

The money mover scorecard will be published Feb. 9.

## Armco Inc.

Cincinnati, Ohio

($ millions)

Total assets....1,712
Defined benefit....1,545
Profit-sharing....7
Thrift or savings....132
401(k)....24
ESOP....4
Employer contributions....88
Benefit payments....172

In-house assets:
Fixed income....381
Short term....109
Passive investments:
Indexed stocks....162
Dedicated immunized....381
GICs....34
Alternative investments:
Other international....33
Venture capital....19
Real estate equity....98
Hedging devices:
Stock index futures....Y
Asset mix:
Stocks....47%
Bonds....30.7%
Cash equivalents....13.8%
Real estate equity....6.3%
GICs....2.2%

## Ashland Oil Inc.

Ashland, Ky.

($ millions)

Total assets*....1,100
Defined benefit....733
Profit-sharing....2
Thrift or savings....314
ESOP....51
Employer contributions....na
Benefit payments....na
*as of June 30, 1986

Passive investments:
GICs....95
Alternative investments:
Mortgage-backed securities....4
Hedging devices:
Fixed-income futures....Y
Asset mix:
Stocks....9%
Bonds....23%
Cash equivalents....55%
GICs....13%

*Pensions & Investment Age's* directory of investment advisers — an in-depth look at who manages the nation's wealth — will be published in the May 25 issue.

## Bakery & Confectionery Union & Industry International Pension Fund

Kensington, Md.

($ millions)

Total assets....1,600
Defined benefit....1,600
Employer contributions....150
Benefit payments....135

In-house assets:
Equities....5
Fixed income....5
Passive investments:
Indexed stocks....5
Indexed bonds....5
GICs....135
Alternative investments:
International equities....16
International bonds....15
Other international....7
Mortgages....51
Hedging devices:
Stock options....Y
Asset mix:
Stocks....38.3%
Bonds....40.6%
Cash equivalents....5.3%
Mortgages....4.3%
GICs....8.1%
Other....3.4%

## Baltimore Employees and Baltimore Police & Fire Employees Retirement Systems

Baltimore, Md.

($ millions)

Total assets....1,146
Defined benefit....1,146
Employer contributions....36
Benefit payments....49

Passive investments:
Dedicated immunized....60
GICs....72
Alternative investments:
Mortgages....30
Hedging devices:
Stock options....Y
Asset mix:
Stocks....47%
Bonds....36%
Cash equivalents....8%
Mortgages....3%
GICs....6%

## Bechtel Power Corp.

San Francisco, Calif.

($ millions)

Total assets....1,400
Defined contribution....1,400
Employer contributions....na
Benefit payments....na
Portfolio insurance....250

In-house assets:
Fixed income....150
Short term....75
Passive investments:
Indexed stocks....69
GICs....25
Alternative investments:
International equities....200
Real estate equity....64
Hedging devices:
Stock options....Y
Bond options....Y
Stock index futures....Y
Fixed-income futures....Y
Asset mix:
Stocks....59.2%
Bonds....25%
Cash equivalents....7.5%
Real estate equity....4.6%
GICs....2%
Other....1.7%

## Boilermakers, Blacksmiths National Pension Trust

Kansas City, Kan.

($ millions)

Total assets*....1,984
Defined benefit....1,984
Employer contributions....53
Benefit payments....76
*as of June 30, 1986

In-house assets:
Short term....12
Passive investments:

## Sponsors with internal pension fund management

($ millions)

| Fund | Assets |
|---|---|
| TIAA-CREF | 52,300 |
| California Public Employees | 36,200 |
| New York State Common Fund | 26,868 |
| General Electric Co. | 18,801 |
| New Jersey Division of Investment | 16,673 |
| New York State Teachers | 16,056 |
| Michigan State Employees | 13,580 |
| Ohio Public Employees | 13,555 |
| Texas Teachers | 13,198 |
| Ohio Teachers Retirement System | 12,484 |
| Wisconsin Investment Board | 11,400 |
| E.I. du Pont de Nemours & Co. Inc. | 9,979 |
| North Carolina Retirement Systems | 9,802 |
| USX Corp. | 9,000 |
| Georgia State Retirement Systems | 8,382 |
| University of California | 7,687 |
| Colorado Public Employees | 6,321 |
| Florida Board of Administration | 6,293 |
| IBM Corp. | 5,900 |
| New York City Retirement Systems | 5,882 |
| Alabama Retirement Systems | 5,454 |
| Tennessee Consolidated Retirement | 5,340 |
| United Nations | 5,304 |
| Maryland State Retirement | 4,089 |
| Texas Employees Retirement System | 3,659 |
| Washington State Investment Board | 3,647 |
| Minnesota State Board | 3,356 |
| Bethlehem Steel Corp. | 2,862 |
| Oregon Employes Retirement System | 2,800 |
| Procter & Gamble Co. | 2,761 |
| Union Carbide Corp. | 2,590 |
| Chicago Teachers | 2,281 |
| Sears Roebuck & Co. | 2,235 |
| Metropolitan Life Insurance Co. | 2,150 |
| Utah State Retirement Board | 1,959 |
| Massachusetts State Employees | 1,800 |
| Alaska State Retirement Systems | 1,794 |
| Commonwealth Edison Co. | 1,687 |
| Deere & Co. | 1,623 |
| Pennsylvania School Employes | 1,600 |
| Grumman Corp. | 1,575 |
| Travelers Insurance Co. | 1,553 |
| Exxon Corp. | 1,525 |
| Ohio Police and Fire | 1,440 |
| Connecticut Trust Funds | 1,397 |
| GTE Corp. | 1,393 |
| Indiana State Teachers | 1,393 |
| Ohio School Employees | 1,374 |
| Texas Municipal Retirement | 1,350 |
| Teledyne | 1,346 |
| New Mexico Educational Retirement | 1,341 |
| Citicorp | 1,292 |
| Aetna Life & Casualty Co. | 1,291 |
| Texas County & District | 1,271 |
| West Virginia State | 1,230 |
| Hughes Aircraft Co. | 1,200 |
| Shell Oil Co. | 1,200 |
| San Francisco Employees | 1,198 |
| Textron Inc. | 1,177 |
| New York Life Insurance Co. | 1,143 |
| Los Angeles County | 1,101 |
| American Airlines | 1,100 |
| Ford Motor Co. | 1,100 |
| McDermott International Inc. | 1,094 |
| Atlantic Richfield | 1,068 |
| General Dynamics Corp. | 1,056 |
| Allied-Signal Inc. | 1,000 |
| Ameritech | 1,000 |
| CIGNA Corp. | 954 |
| Chrysler Corp. | 739 |
| Tenneco Inc. | 738 |
| RJR Nabisco | 736 |
| Hawaii State Employees | 719 |
| GenCorp Inc. | 716 |
| UAL Inc. | 700 |
| Hewlett-Packard | 690 |
| Southern Baptist Convention | 675 |
| Kentucky Retirement Systems | 616 |
| National Rural Electric Co-op | 615 |
| LTV Corp. | 614 |
| Dow Chemical Co. | 554 |
| UMWA Health & Retirement Funds | 550 |
| Armco Inc. | 490 |
| FMC Corp. | 482 |
| Amoco Corp. | 474 |
| Virginia Retirement System | 450 |
| ITT Corp. | 426 |
| Eastern Air Lines & Pilots | 400 |
| Trans World Airlines | 399 |
| Halliburton Savings Plan | 356 |
| United Methodist Church | 310 |
| Louisiana Teachers | 300 |
| Pacific Telesis Group | 280 |
| Oklahoma Teachers | 239 |
| Martin Marietta Corp. | 236 |
| Rhode Island State & City | 229 |
| Bechtel Power Corp. | 225 |
| Kansas Public Employees | 211 |
| Louisiana State Employees | 200 |
| Delta Air Lines Inc. | 170 |
| Kentucky Teachers Retirement | 160 |
| Detroit Retirement Systems | 158 |
| Arkansas Teacher Retirement System | 155 |
| S. Calif. Food/Commercial Workers | 154 |
| Owens-Illinois | 150 |
| Illinois Municipal Retirement Fund | 130 |
| Los Angeles City Employees | 125 |
| Philadelphia Municipal | 118 |
| Los Angeles Fire and Police | 116 |
| Los Angeles Dept. of Water & Power | 115 |
| Dart & Kraft Inc. | 110 |
| Arizona State Retirement System | 100 |
| Iowa Public Employees | 99 |
| Nevada Public Employees | 93 |
| Episcopal Church Pension Fund | 80 |
| Massachusetts PRIT | 54 |
| Teamsters Central States | 38 |
| U S WEST Inc. | 30 |
| Presbyterian Church U.S.A. | 17 |
| Boilermakers-Blacksmiths | 12 |
| Bakery & Confectionery Workers | 10 |
| Chicago Employees | 10 |
| Total | 411,980 |

| | |
|---|---|
| Dedicated/immunized | 98 |
| GICs | 152 |
| Alternative investments: | |
| Real estate equity | 195 |
| Mortgages | 3 |
| Mortgage-backed securities | 135 |
| Asset mix: | |
| Stocks | 46% |
| Bonds | 22.9% |
| Cash equivalents | 5% |
| Real estate equity | 10% |
| Mortgages | 0.1% |
| Mortgage-backed securities | 7% |
| GICs | 9% |

## Chicago Employees' Annuity & Benefit Fund

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,170 |
| Defined benefit | 1,170 |
| Employer contributions | 80 |
| Benefit payments | 82 |
| In-house assets: | |
| Short term | 10 |
| Passive investments: | |
| Dedicated/immunized | 300 |
| Alternative investments: | |
| International equities | 50 |
| Venture capital | 60 |
| Real estate equity | 47 |
| Mortgages | 66 |
| Mortgage-backed securities | 93 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 34% |
| Bonds | 34% |
| Cash equivalents | 12% |
| Real estate equity | 4% |
| Mortgages | 7% |
| Mortgage-backed securities | 7% |
| Other | 2% |

## Public School Teachers' Pension and Retirement Fund of Chicago

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 2,281 |
| Defined benefit | 2,281 |
| Employer contributions | 193 |
| Benefit payments | 110 |
| In-house assets: | |
| Equities | 1,117 |
| Fixed income | 1,017 |
| Short term | 147 |
| Asset mix: | |
| Stocks | 48.9% |
| Bonds | 44.7% |
| Cash equivalents | 6.4% |

## CIGNA Corp.

Philadelphia, Pa.

| | ($ millions) |
|---|---|
| Total assets | 1,221 |
| Defined benefit | 954 |
| Profit-sharing | 93 |
| Thrift or savings | 174 |
| Employer contributions | 20 |
| Benefit payments | 35 |
| In-house assets: | |
| Equities | 512 |
| Fixed income | 378 |
| Other | 64 |
| Alternat. investments: | |
| International equities | 32 |
| Real estate equity | 64 |
| Asset mix: | |
| Stocks | 54% |
| Bonds | 19% |
| Real estate equity | 7% |
| Annuities | 20% |

## Citicorp

New York City

| | ($ millions) |
|---|---|
| Total assets* | 1,701 |
| Defined benefit | 1,292 |
| Defined contribution | 409 |
| Employer contributions | na |
| Benefit payments | na |

*P&I Age estimate

## Commonwealth Edison Co.

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,687 |
| Defined benefit | 1,687 |
| Employer contributions | na |
| Benefit payments | na |
| In-house assets: | |
| Equities | 859 |
| Fixed income | 660 |
| Short term | 168 |
| Alternative investments: | |
| International equities | 89 |
| International bonds | 27 |
| Mortgage-backed securities | 17 |
| Hedging devices: | |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 51% |
| Bonds | 38% |
| Cash equivalents | 10% |
| Mortgage-backed securities | 1% |

## Conoco Inc.

Wilmington, Del.

| | ($ millions) |
|---|---|
| Total assets | 1,987 |
| Defined benefit plan | 561 |
| Thrift/savings/401(k) | 1,283 |
| ESOP | 143 |
| Employer contributions | 33 |
| Benefit payments | 50 |
| Portfolio insurance | 130 |
| Passive investments: | |
| GICs | 30 |
| Alternative investments: | |
| International equities | 37 |
| International bonds | 8 |
| Venture capital | 27 |
| Real estate equity | 32 |
| Mortgage-backed securities | 18 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 67% |
| Bonds | 13% |
| Cash equivalents | 1% |
| Real estate equity | 6% |
| Mortgage-backed securities | 3% |
| GICs | 5% |
| Venture capital | 5% |

The annual returns of PIPER participants will be published in the Feb. 23 issue.

## Consolidated Edison of New York

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 2,297 |
| Defined benefit | 2,143 |
| Thrift or savings | 59 |
| 401(k) | 95 |
| Employer contributions | na |
| Benefit payments | na |

*Source: Money Market Directory

## Continental Can Co. Inc.

Norwalk, Conn.

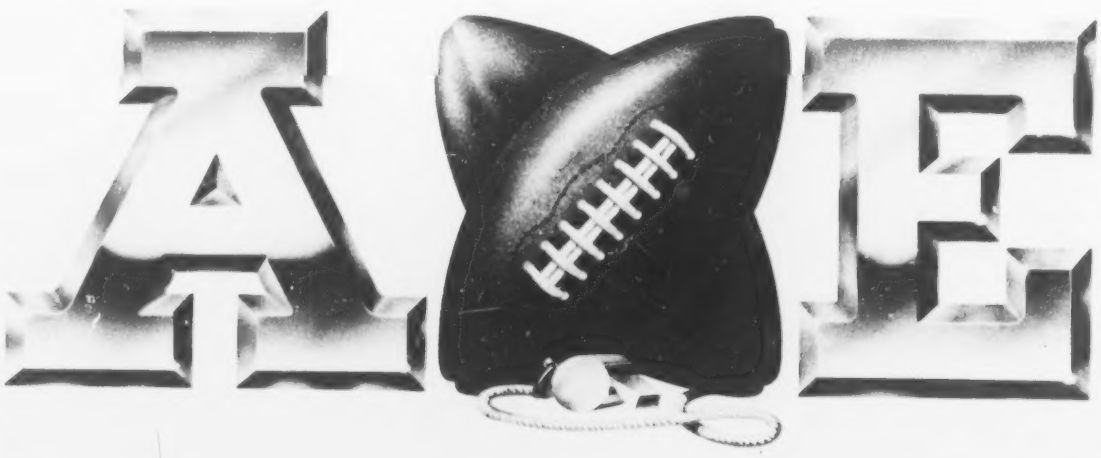
| | ($ millions) |
|---|---|
| Total assets | 1,104 |
| Defined benefit | 934 |
| 401(k) | 170 |
| Employer contributions | 20 |
| Benefit payments | 72 |
| Passive investments: | |
| Indexed bonds | 622 |
| Alternative investments: | |
| Venture capital | 3 |
| Real estate equity | 62 |
| Asset mix: | |
| Bonds | 90% |
| Cash equivalents | 3% |
| Real estate equity | 7% |

## Cooper Industries Inc.

Houston, Texas

| | ($ millions) |
|---|---|
| Total assets | 1,150 |
| Defined benefit | 750 |
| Defined contribution | 50 |
| Profit-sharing | 150 |
| 401(k) | 200 |
| Employer contributions | na |
| Benefit payments | na |
| Passive investments: | |
| Indexed stocks | 300 |
| Asset mix: | |
| Stocks | 40% |
| Cash equivalents | 60% |

A special section on leasing will be published in the June 15 edition of *Pensions & Investment Age*.


# Touchdown!

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Axe has shown the same persistence and professionalism in meeting client objectives for more than 50 years.

The players have hung up their cleats. But at Axe, our money managers keep scoring touchdowns all year 'round.

## Dart & Kraft Inc.

Northbrook, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,877 |
| Defined benefit | 1,296 |
| Defined contribution | 581 |
| Employer contributions | 35 |
| Benefit payments | 75 |
| In-house assets: | |
| Equities | 60 |
| Short-term | 50 |
| Passive investments: | |
| Indexed stocks | 65 |
| GICs | 344 |
| Alternative investments: | |
| International equities | 115 |
| Venture capital | 15 |
| Mortgage-backed securities | 40 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 66% |
| Bonds | 10% |
| Cash equivalents | 5% |
| GICs | 19% |

## Deere & Co.

Moline, Ill.

| | ($ millions) |
|---|---|
| Total assets | 2,307 |
| Defined benefit | 2,238 |
| 401(k) | 68 |
| ESOP | 1 |
| Employer contributions | 100 |
| Benefit payments | 150 |
| Portfolio insurance | 2,238 |
| In-house assets: | |
| Equities | 1,281 |
| Fixed income | 275 |
| Other | 67 |
| Passive investments: | |
| Indexed stocks | 1,104 |
| Indexed bonds | 275 |
| Alternative investments: | |
| International equities | 47 |
| Venture capital | 14 |
| Real estate equity | 21 |
| Mortgage-backed securities | 45 |
| Hedging devices: | |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 76% |
| Bonds | 19% |
| Cash equivalents | 2% |
| Real estate equity | 1% |
| Mortgage-backed securities | 2% |

## State of Delaware Retirement Funds

Dover, Del.

| | ($ millions) |
|---|---|
| Total assets | 1,200 |
| Defined benefit | 1,200 |
| Employer contributions | 81 |
| Benefit payments | 47 |
| Passive investments: | |
| Indexed stocks | 357 |
| Indexed bonds | 101 |
| Alternative investments: | |
| International equities | 45 |
| Venture capital | 25 |
| Real estate equity | 125 |
| Hedging devices: | |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 56.1% |
| Bonds | 14.5% |
| Cash equivalents | 6.4% |
| Real estate equity | 10.7% |
| Other | 12.3% |

## Dow Chemical Co.

Midland, Mich.

| | ($ millions) |
|---|---|
| Total assets | 2,080 |
| Defined benefit | 1,770 |
| 401(k) | 310 |
| Employer contributions | 118 |
| Benefit payments | 190 |
| In-house assets: | |
| Equities | 306 |
| Fixed income | 151 |
| Short term | 18 |
| Other | 79 |
| Passive investments: | |
| Indexed stocks | 246 |
| Dedicated/immunized | 113 |
| GICs | 54 |
| Alternative investments: | |
| International equities | 130 |
| Venture capital | 23 |
| Real estate equity | 56 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 69% |
| Bonds | 23% |
| Cash equivalents | 1% |
| Real estate equity | 3% |
| GICs | 3% |
| Venture capital | 1% |

## Eastern Airlines Inc.

Miami, Fla.

| | ($ millions) |
|---|---|
| Total assets | 2,074 |
| Defined benefit* | 1,200 |
| Defined contribution | 874 |
| Employer contributions | 34 |
| Benefit payments | 50 |

*Except for defined benefit plan assets, all data is for the Eastern Air Lines Variable Benefit Retirement Plan for Pilots, Boston.

| | |
|---|---|
| In-house assets | 400 |
| Alternative investments: | |
| Other international | 20 |
| Oil and gas | 10 |
| LBOs | 5 |
| Real estate equity | 200 |
| Asset mix: | |
| Stocks | 50% |
| Bonds | 30% |
| Real estate equity | 20% |

## Episcopal Church Pension Fund

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 1,250 |
| Defined benefit | 1,200 |
| Thrift or savings | 20 |
| 401(k) | 30 |
| Employer contributions | 42 |
| Benefit payments | 33 |
| Portfolio insurance | 700 |
| In-house assets: | |
| Fixed income | 45 |
| Short term | 25 |
| Other | 10 |
| Alternative investments: | |
| International equities | 70 |
| Oil and gas | 40 |
| Real estate equity | 10 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 60% |
| Bonds | 35% |
| Cash equivalents | 3% |
| Real estate equity | 2% |

## Florida Power & Light Co.

Miami, Fla.

| | ($ millions) |
|---|---|
| Total assets | 1,509 |
| Defined benefit | 1,047 |
| Defined contribution | 174 |
| Thrift or savings | 288 |
| Employer contributions | 51 |
| Benefit payments | 14 |
| Passive investments: | |
| Indexed stocks | 186 |
| Indexed bonds | 155 |
| Alternative investments: | |
| International equities | 106 |
| Real estate equity | 29 |
| Asset mix: | |
| Stocks | 68.9% |
| Bonds | 23.3% |
| Cash equivalents | 4.8% |
| Real estate equity | 3% |

## FMC Corp.

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,644 |
| Defined benefit | 1,321 |
| 401(k) | 323 |
| Employer contributions | 45 |
| Benefit payments | 45 |
| In-house assets: | |
| Equities | 16 |
| Short term | 34 |
| Other | 432 |
| Passive investments: | |
| Dedicated/immunized | 432 |
| GICs | 62 |
| Alternative investments: | |
| International equities | 75 |
| Venture capital | 40 |
| Hedging devices: | |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 57% |
| Bonds | 35.3% |
| GICs | 4.7% |
| Venture capital | 3% |

## GenCorp Inc.

Akron, Ohio

| | ($ millions) |
|---|---|
| Total assets | 1,525 |
| Defined benefit | 783 |
| Thrift or savings | 288 |
| ESOP | 23 |
| Other | 431 |
| Contributions | na |
| Benefit payments | 70 |
| In-house assets | 716 |

## The Goodyear Tire & Rubber Co.

Akron, Ohio

| | ($ millions) |
|---|---|
| Total assets | 1,658 |
| Defined benefit | 1,487 |
| 401(k) | 131 |
| ESOP | 40 |
| Employer contributions | 37 |
| Benefit payments | 134 |
| Passive investments: | |
| Indexed stocks | 79 |
| Alternative investments: | |
| International bonds | 10 |
| Real estate equity | 78 |
| Mortgages | 41 |
| Hedging devices: | |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 41.9% |
| Bonds | 18.8% |
| Cash equivalents | 24.5% |
| Real estate equity | 5.3% |
| Mortgages | 2.7% |
| Annuities | 6.8% |

## Grumman Corp.

Bethpage, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 2,400 |
| Defined benefit | 1,684 |
| Thrift or savings* | 716 |
| Employer contributions | 60 |
| Benefit payments | 50 |

*savings assets as of Dec. 31, 1985

| | |
|---|---|
| In-house assets: | |
| Equities | 625 |
| Fixed income | 635 |
| Short term | 315 |
| Alternative investments: | |
| Venture capital | 19 |
| LBOs | 10 |
| Real estate equity | 80 |
| Asset mix: | |
| Stocks | 37% |
| Bonds | 38% |
| Cash equivalents | 19% |
| Real estate equity | 5% |
| Other | 1% |

## Halliburton Co.

Duncan, Okla.

| | ($ millions) |
|---|---|
| Total assets | 1,130 |
| Profit-sharing | 774 |
| Thrift/savings/401(k) | 356 |
| Employer contributions | 0 |
| Benefit payments | 140 |
| In-house assets: | |
| Fixed income | 356 |
| Passive investments: | |
| GICs | 356 |
| Alternative investments: | |
| International equities | 47 |
| Real estate equity | 8 |
| Mortgages | 13 |
| Mortgage-backed securities | 15 |
| Hedging devices: | |
| Bond options | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 27% |
| Bonds | 29% |
| Cash equivalents | 4% |
| Real estate equity | 1% |
| Mortgages | 1% |
| GICs | 31% |
| Other | 7% |

## Hercules Inc.

Wilmington, Del.

| | ($ millions) |
|---|---|
| Total assets | 1,367 |
| Defined benefit | 1,174 |
| 401(k) | 193 |
| Employer contributions | 11 |
| Benefit payments | 74 |
| Passive investments: | |
| Indexed stocks | 29 |
| Indexed bonds | 28 |
| Dedicated/immunized | 253 |
| GICs | 119 |
| Alternative investments: | |
| International equities | 148 |
| Real estate equity | 107 |
| Asset mix: | |
| Stocks | 52.3% |
| Bonds | 23.8% |
| Cash equivalents | 4.7% |
| Real estate equity | 9.1% |
| GICs | 10.1% |

## Hewlett-Packard Co.

Palo Alto, Calif.

| | ($ millions) |
|---|---|
| Total assets* | 1,150 |
| Defined benefit | 215 |
| Profit-sharing | 798 |
| Other | 137 |
| Employer contributions | na |
| Benefit payments | na |

*Source: Money Market Directory

| | |
|---|---|
| In-house assets | 690 |
| Passive investments: | |
| GICs | 35 |
| Alternative investments: | |
| International equities | 23 |
| Venture capital | 92 |
| Mortgages | 12 |
| Asset mix: | |
| Stocks | 62% |
| Bonds | 22% |
| Cash equivalents | 4% |
| Mortgages | 1% |
| GICs | 3% |
| Venture capital | 8% |

## Honeywell Inc.

Minneapolis, Minn.

| | ($ millions) |
|---|---|
| Total assets | 2,163 |
| Defined benefit | 1,708 |
| Thrift or savings | 34 |
| 401(k) | 421 |
| Employer contributions | 67 |
| Benefit payments | 84 |
| Portfolio insurance | 250 |
| Passive investments: | |
| Indexed stocks | 310 |
| Dedicated/immunized | 308 |
| GICs | 331 |
| Alternative investments: | |
| International equities | 133 |
| International bonds | 51 |
| Venture capital | 6 |
| Oil and gas | 14 |
| Real estate equity | 107 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 41.9% |
| Bonds | 29.5% |
| Cash equivalents | 8.4% |
| Real estate equity | 4.9% |
| GICs | 15.3% |

## National Pension Fund for Hospital and Health Care Employees

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets* | 1,600 |
| Defined benefit | 1,600 |
| Employer contributions | 100 |
| Benefit payments | 25 |

*as of June 30, 1986

| | |
|---|---|
| Alternative investments: | |
| Real estate equity | 69 |
| Asset mix: | |
| Stocks | 31.3% |
| Bonds | 48.9% |
| Cash equivalents | 14.2% |
| Real estate equity | 4.4% |
| Other | 1.2% |

The directory of master trust banks will be published in the Sept. 7 issue of *Pensions & Investment Age*.

## City of Houston Retirement System

Houston, Texas

| | ($ millions) |
|---|---|
| Total assets | 1,203 |
| Defined benefit | 1,203 |
| Employer contributions | 61 |
| Benefit payments | 37 |
| Passive investments: | |
| Indexed stocks | 70 |
| Alternative investments: | |
| International equities | 40 |
| Venture capital | 9 |
| Real estate equity | 55 |
| Mortgages | 2 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 57% |
| Bonds | 22% |
| Cash equivalents | 15% |
| Real estate equity | 5% |
| Mortgages | 1% |

## IAM National Pension Fund

Washington, D.C.

| | ($ millions) |
|---|---|
| Total assets | 1,198 |
| Defined benefit | 1,198 |
| Employer contributions | 68 |
| Benefit payments | 69 |
| Passive investments: | |
| Indexed stocks | 93 |
| Indexed bonds | 167 |
| Alternative investments: | |
| Real estate equity | 44 |
| Asset mix: | |
| Stocks | 46.2% |
| Bonds | 36.4% |
| Cash equivalents | 3.3% |
| Real estate equity | 3.7% |
| Other | 10.4% |

## Public Employee Retirement System of Idaho

Boise, Idaho

| | ($ millions) |
|---|---|
| Total assets | 1,100 |
| Defined benefit | 1,100 |
| Employer contributions | 68 |
| Benefit payments | 66 |
| Passive investments: | |
| GICs | 4 |
| Alternative investments: | |
| Real estate equity | 68 |
| Mortgages | 71 |
| Mortgage-backed securities | 132 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 45.6% |
| Bonds | 24.6% |
| Cash equivalents | 9.5% |
| Real estate equity | 8.2% |
| Mortgages | 6.7% |
| Mortgage-backed securities | 1.2% |
| GICs | 0.4% |
| Other | 3.8% |

## Illinois State Board of Investment

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 2,280 |
| Defined benefit | 2,280 |
| Employer contributions | na |
| Benefit payments | na |
| In-house assets: | |
| Equities | 435 |
| Fixed income | 936 |
| Short term | 35 |
| Alternative investments: | |
| Venture capital | 16 |
| LBOs | 50 |
| Real estate equity | 160 |
| Mortgage-backed securities | 90 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 45% |
| Bonds | 41% |
| Cash equivalents | 3% |
| Real estate equity | 7% |
| Mortgage-backed securities | 4% |

The cash management survey will be published Nov. 2.

## Indiana Public Employees' Retirement Fund

Indianapolis, Ind.

| | ($ millions) |
|---|---|
| Total assets | 2,020 |
| Defined benefit | 1,575 |
| Defined contribution | 445 |
| Employer contributions | 180 |
| Benefit payments | 90 |
| Alternative investments: | |
| Mortgage-backed securities | 140 |
| Asset mix: | |
| Bonds | 84% |
| Cash equivalents | 9% |
| Mortgage-backed securities | 7% |

## Indiana State Teachers' Retirement Fund

Indianapolis, Ind.

| | ($ millions) |
|---|---|
| Total assets | 1,260 |
| Defined contribution | 1,260 |
| Employer contributions | 170 |
| Benefit payments | 170 |
| Passive investments: | |
| GICs | 15 |
| Alternative investments: | |
| Mortgage-backed securities | 400 |
| Asset mix: | |
| Bonds | 69% |
| Mortgage-backed securities | 30% |
| GICs | 1% |

## Inland Steel Industries Inc.

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,652 |
| Defined benefit | 1,383 |
| Thrift/savings/401(k) | 269 |
| Employer contributions | 11 |
| Benefit payments | 97 |
| Passive investments: | |
| Indexed stocks | 31 |
| Dedicated/immunized | 459 |
| GICs | 109 |
| Alternative investments: | |
| International equities | 90 |
| Venture capital | 5 |
| Real estate equity | 99 |
| Mortgage-backed securities | 105 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 51% |
| Bonds | 25% |
| Cash equivalents | 2% |
| Real estate equity | 6% |
| Mortgage-backed securities | 8% |
| GICs | 8% |

## International Paper Co.

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 1,567 |
| Defined benefit | 1,303 |
| Defined contribution | 38 |
| Thrift, savings, 401(k) | 226 |
| Employer contributions | na |
| Benefit payments | na |
| Portfolio insurance | 250 |
| Passive investments: | |
| Indexed stocks | 47 |
| GICs | 50 |
| Alternative investments: | |
| International equities | 68 |
| Real estate equity | 105 |
| Mortgages | 3 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 64% |
| Bonds | 21% |
| Cash equivalents | 3% |
| Real estate equity | 8% |
| GICs | 4% |

## Kentucky Retirement Systems

Frankfort, Ky.

| | ($ millions) |
|---|---|
| Total assets | 2,108 |
| Defined benefit | 2,108 |
| Employer contributions | 119 |
| Benefit payments | 66 |
| In-house assets: | |
| Equities | 250 |
| Short term | 366 |
| Passive investments: | |
| Indexed stocks | 250 |
| Alternative investments: | |
| Real estate equity | 81 |
| Mortgage-backed securities | 364 |
| Asset mix: | |
| Stocks | 35% |
| Bonds | 27% |
| Cash equivalents | 17% |
| Real estate equity | 4% |
| Mortgage-backed securities | 17% |

## Kentucky Teachers' Retirement System

Frankfort, Ky.

| | ($ millions) |
|---|---|
| Total assets | 2,323 |
| Defined benefit | 2,323 |
| Employer contributions | 145 |
| Benefit payments | 150 |
| In-house assets: | |
| Fixed income | 160 |
| Alternative investments: | |
| Real estate equity | 35 |
| Mortgages | 130 |
| Mortgage-backed securities | 105 |
| Asset mix: | |
| Stocks | 24% |
| Bonds | 55% |
| Cash equivalents | 11% |
| Real estate equity | 1% |
| Mortgages | 5% |
| Mortgage-backed securities | 4% |

## K mart Corp.

Troy, Mich.

| | ($ millions) |
|---|---|
| Total assets | 1,399 |
| Defined benefit | 799 |
| Thrift/savings/401(k) | 600 |
| Employer contributions | 33 |
| Benefit payments | 22 |
| Passive investments: | |
| Indexed stocks | 51 |
| GICs | 210 |
| Alternative investments: | |
| Real estate equity | 63 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 59% |
| Cash equivalents | 4% |
| Real estate equity | 8% |
| GICs | 26% |
| Annuities | 3% |

## Eli Lilly and Co.

Indianapolis, Ind.

| | ($ millions) |
|---|---|
| Total assets | 1,425 |
| Defined benefit | 875 |
| 401(k) | 550 |
| Employer contributions | 62 |
| Benefit payments | 36 |
| Passive investments: | |
| Indexed stocks | 113 |
| Dedicated/immunized | 92 |
| Alternative investments: | |
| International equities | 40 |
| Venture capital | 8 |
| Real estate equity | 38 |
| Asset mix: | |
| Stocks | 65% |
| Bonds | 20% |
| Cash equivalents | 11% |
| Real estate equity | 4% |

## Los Angeles City Employees' Retirement System

Los Angeles, Calif.

| | ($ millions) |
|---|---|
| Total assets | 1,822 |
| Defined benefit | 1,822 |
| Employer contributions | 120 |
| Benefit payments | 127 |
| In-house assets: | |
| Short term | 125 |
| Alternative investments: | |
| Mortgage-backed securities | 87 |
| Asset mix: | |
| Stocks | 35% |
| Bonds | 53.3% |
| Cash equivalents | 7% |
| Mortgage-backed securities | 4.7% |

## Los Angeles Fire & Police Pension System

Los Angeles, Calif.

| | ($ millions) |
|---|---|
| Total assets | 2,205 |


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| | |
|---|---|
| Defined benefit | 2,205 |
| Employer contributions | 229 |
| Benefit payments | 209 |
| In-house assets: | |
| Short term | 116 |
| Alternative investments: | |
| International equities | 3 |
| International bonds | 61 |
| Mortgage-backed securities | 124 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 48% |
| Bonds | 36% |
| Cash equivalents | 11% |
| Mortgage-backed securities | 5% |

## Los Angeles Department of Water & Power Employees' Retirement Plan

Los Angeles, Calif.

| | ($ millions) |
|---|---|
| Total assets | 1,500 |
| Defined benefit | 1,500 |
| Employer contributions | 90 |
| Benefit payments | 89 |
| In-house assets: | |
| Short term | 115 |
| Alternative investments: | |
| Mortgage-backed securities | 85 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 35% |
| Bonds | 54% |
| Cash equivalents | 5% |
| Mortgage-backed securities | 6% |

## Louisiana State Employees Retirement System

Baton Rouge, La.

| | ($ millions) |
|---|---|
| Total assets* | 1,806 |
| Defined benefit | 1,806 |
| Employer contributions | 118 |
| Benefit payments | 175 |

*as of June 30, 1986

| | |
|---|---|
| In-house assets: | |
| Fixed income | 200 |
| Alternative investments: | |
| International equities | 5 |
| Mortgages | 16 |
| Mortgage-backed securities | 127 |
| Asset mix: | |
| Stocks | 21% |
| Bonds | 61% |
| Cash equivalents | 10% |
| Mortgages | 1% |
| Mortgage-backed securities | 7% |

## The LTV Corp.

Dallas, Texas

| | ($ millions) |
|---|---|
| Total assets | 2,354 |
| Defined benefit | 2,052 |
| Defined contribution | 302 |
| Employer contributions | na |
| Benefit payments | na |
| In-house assets | 614 |
| Alternative investments: | |
| Venture capital | 41 |
| Real estate equity | 164 |
| Asset mix: | |
| Stocks | 55% |
| Bonds | 30% |
| Cash equivalents | 5% |
| Real estate equity | 8% |
| Other | 2% |

## Martin Marietta Corp.

Bethesda, Md.

| | ($ millions) |
|---|---|
| Total assets | 2,123 |
| Defined benefit | 1,565 |
| Profit-sharing | 558 |
| Employer contributions | 91 |
| Benefit payments | 48 |
| In-house assets: | |
| Equities | 96 |
| Fixed income | 140 |
| Passive investments: | |
| GICs | 98 |
| Asset mix: | |
| Stocks | 55.3% |
| Bonds | 23.1% |
| Cash equivalents | 10.6% |
| GICs | 6.3% |
| IPGs | 4.7% |

## Pension Reserves Investment Trust Fund (of Massachusetts)

Boston, Mass.

| | ($ millions) |
|---|---|
| Total assets | 1,646 |
| Employer contributions | 350 |
| Benefit payments | 21 |
| In-house assets: | |
| Short-term | 54 |
| Passive investments: | |
| Indexed stocks | 249 |
| Indexed bonds | 334 |
| Alternative investments: | |
| International equities | 165 |
| Venture capital | 24 |
| LBOs | 60 |
| Real estate equity | 54 |
| Mortgage-backed securities | 47 |
| Asset mix: | |
| Stocks | 48% |
| Bonds | 38% |
| Cash equivalents | 8% |
| Real estate equity | 3% |
| Mortgage-backed securities | 3% |

## McDermott International Inc.

New Orleans, La.

| | ($ millions) |
|---|---|
| Total assets | 1,496 |
| Defined benefit | 1,241 |
| Defined contribution | 250 |
| Profit-sharing | 5 |
| Employer contributions | 10 |
| Benefit payments | 56 |
| In-house assets: | |
| Equities | 38 |
| Fixed income | 1,056 |
| Passive investments: | |
| Dedicated immunized | 365 |
| Asset mix: | |
| Stocks | 15% |
| Bonds | 85% |

## Employes' Retirement System — City of Milwaukee

Milwaukee, Wis.

| | ($ millions) |
|---|---|
| Total assets | 1,187 |
| Defined benefit | 1,187 |
| Employer contributions | 50 |
| Benefit payments | 50 |
| Passive investments: | |
| Dedicated immunized | 200 |
| Alternative investments: | |
| Real estate equity | 20 |
| Mortgage-backed securities | 100 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 36% |
| Bonds | 47% |
| Cash equivalents | 9% |
| Mortgage-backed securities | 8% |

## Minnesota Mining & Manufacturing Co.

St. Paul, Minn.

| | ($ millions) |
|---|---|
| Total assets | 2,221 |
| Defined benefit | 1,924 |
| Thrift or savings | 35 |
| 401(k) | 225 |
| IRA | 37 |
| Employer contributions | 0 |
| Benefit payments | 55 |
| Passive investments: | |
| Indexed stocks | 179 |
| Indexed bonds | 125 |
| Alternative investments: | |
| International equities | 145 |
| Venture capital | 10 |
| LBOs | 33 |
| Real estate equity | 92 |
| Mortgages | 30 |
| Mortgage-backed securities | 95 |
| Hedging devices: | |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 62% |
| Bonds | 23% |
| Cash equivalents | 1% |
| Real estate equity | 5% |
| Mortgages | 2% |
| Mortgage-backed securities | 5% |
| Other | 2% |

## Funds investing overseas
($ millions)

| Fund | Total | Equities | Fixed | Other |
|---|---|---|---|---|
| TIAA-CREF | 3,500 | 3,400 | 100 | 0 |
| United Nations | 2,755 | 1,480 | 1,100 | 175 |
| E.I. du Pont de Nemours & Co. Inc. | 1,172 | 484 | 688 | 0 |
| GTE Corp. | 1,131 | 1,034 | 97 | 0 |
| General Electric Co. | 1,095 | 833 | 261 | 1 |
| American Telephone & Telegraph Co. | 1,020 | 1,020 | 0 | 0 |
| Ameritech | 950 | 450 | 500 | 0 |
| United Technologies Corp. | 708 | 576 | 132 | 0 |
| Ford Motor Co. | 700 | 500 | 200 | 0 |
| World Bank | 600 | 466 | 134 | 0 |
| U S WEST Inc. | 570 | 500 | 70 | 0 |
| Atlantic Richfield | 521 | 478 | 43 | 0 |
| Prudential Insurance Co. | 458 | 349 | 109 | 0 |
| Oregon Employes Retirement System | 445 | 445 | 0 | 0 |
| Allied-Signal Inc. | 380 | 330 | 50 | 0 |
| Illinois Teachers | 343 | 277 | 66 | 0 |
| Monsanto | 341 | 311 | 30 | 0 |
| Exxon Corp. | 321 | 321 | 0 | 0 |
| Amoco Corp. | 316 | 316 | 0 | 0 |
| Hawaii State Employees | 281 | 281 | 0 | 0 |
| Boeing Co. | 275 | 0 | 0 | 275 |
| Owens-Illinois | 255 | 208 | 47 | 0 |
| Sears Roebuck & Co. | 250 | 250 | 0 | 0 |
| Sun Co. | 231 | 231 | 0 | 0 |
| San Francisco Employees | 206 | 104 | 102 | 0 |
| Bechtel Power Corp. | 200 | 200 | 0 | 0 |
| Caterpillar Inc. | 190 | 190 | 0 | 0 |
| Honeywell Inc. | 184 | 133 | 51 | 0 |
| Alaska State Retirement Systems | 181 | 181 | 0 | 0 |
| National Rural Electric Co-op | 179 | 179 | 0 | 0 |
| Tennessee Consolidated Retirement | 176 | 94 | 82 | 0 |
| Southwestern Bell Corp. | 169 | 169 | 0 | 0 |
| Massachusetts PRIT | 165 | 165 | 0 | 0 |
| Xerox Corp. | 152 | 139 | 12 | 1 |
| Illinois Municipal Retirement Fund | 150 | 116 | 0 | 34 |
| Hercules Inc. | 148 | 148 | 0 | 0 |
| Minnesota Mining & Manufacturing Co. | 145 | 145 | 0 | 0 |
| Illinois Universities | 144 | 144 | 0 | 0 |
| TRW Inc. | 140 | 140 | 0 | 0 |
| USX Corp. | 135 | 135 | 0 | 0 |
| Dow Chemical Co. | 130 | 130 | 0 | 0 |
| Presbyterian Church U.S.A. | 127 | 117 | 10 | 0 |
| ITT Corp. | 123 | 123 | 0 | 0 |
| Aluminum Co. of America | 120 | 80 | 40 | 0 |
| Delta Air Lines Inc. | 120 | 120 | 0 | 0 |
| Hughes Aircraft Co. | 120 | 120 | 0 | 0 |
| Commonwealth Edison Co. | 116 | 89 | 27 | 0 |
| Dart & Kraft Inc. | 115 | 115 | 0 | 0 |
| American Airlines | 110 | 70 | 30 | 10 |
| Florida Power & Light Co. | 106 | 106 | 0 | 0 |
| Southern New England Telephone | 103 | 96 | 7 | 0 |
| Philip Morris Inc. | 93 | 93 | 0 | 0 |
| Florida Board of Administration | 90 | 0 | 90 | 0 |
| Inland Steel Industries Inc. | 90 | 90 | 0 | 0 |
| Aetna Life & Casualty Co. | 83 | 83 | 0 | 0 |
| Travelers Insurance Co. | 82 | 82 | 0 | 0 |
| J.C. Penney Co. Inc. | 80 | 80 | 0 | 0 |
| FMC Corp. | 75 | 75 | 0 | 0 |
| Massachusetts State Employees | 75 | 25 | 50 | 0 |
| Pacific Gas & Electric Co. | 73 | 73 | 0 | 0 |
| Episcopal Church Pension Fund | 70 | 70 | 0 | 0 |
| International Paper Co. | 68 | 68 | 0 | 0 |
| Los Angeles Fire and Police | 64 | 3 | 61 | 0 |
| Chicago Employees | 50 | 50 | 0 | 0 |
| Standard Oil Co. | 50 | 50 | 0 | 0 |
| Wisconsin Investment Board | 50 | 0 | 50 | 0 |
| American Stores Co. | 49 | 49 | 0 | 0 |
| PPG Industries Inc. | 48 | 48 | 0 | 0 |
| Deere & Co. | 47 | 47 | 0 | 0 |
| Halliburton Savings Plan | 47 | 47 | 0 | 0 |
| Unocal Corp. | 47 | 47 | 0 | 0 |
| Conoco Inc. | 45 | 37 | 8 | 0 |
| Delaware State | 45 | 45 | 0 | 0 |
| Trans World Airlines | 44 | 44 | 0 | 0 |
| Eli Lilly and Co. | 40 | 40 | 0 | 0 |
| Houston City, Fire and Police | 40 | 40 | 0 | 0 |
| Bakery & Confectionery Workers | 38 | 16 | 15 | 7 |
| Pan American World Airways Inc. | 35 | 35 | 0 | 0 |
| Armco Inc. | 33 | 0 | 0 | 33 |
| CIGNA Corp. | 32 | 32 | 0 | 0 |
| New York City Retirement Systems | 32 | 32 | 0 | 0 |
| Motorola | 30 | 30 | 0 | 0 |
| Southern California Edison | 28 | 28 | 0 | 0 |
| Hewlett-Packard | 23 | 23 | 0 | 0 |
| Eastern Air Lines & Pilots | 20 | 0 | 0 | 20 |
| RJR Nabisco | 20 | 20 | 0 | 0 |
| Navistar International Corp. | 15 | 0 | 15 | 0 |
| General Foods Corp. | 14 | 14 | 0 | 0 |
| Goodyear Tire & Rubber Co. | 10 | 0 | 10 | 0 |
| University of California | 6 | 6 | 0 | 0 |
| Louisiana State Employees | 5 | 5 | 0 | 0 |
| Shell Oil Co. | 4 | 0 | 4 | 0 |
| Detroit Retirement Systems | 3 | 0 | 3 | 0 |
| Totals | 24,466 | 19,615 | 4,284 | 566 |

## Motorola Inc.

Schaumburg, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,325 |
| Defined benefit | 400 |
| Profit-sharing | 925 |
| Employer contributions | 0 |
| Benefit payments | 20 |
| Passive investments: | |
| Indexed stocks | 20 |
| Alternative investments: | |
| International equities | 30 |
| Mortgage-backed securities | 25 |
| Asset mix: | |
| Stocks | 70% |
| Bonds | 20% |
| Mortgage-backed securities | 10% |

## National Intergroup Inc.

Pittsburgh, Pa.

| | ($ millions) |
|---|---|
| Total assets* | 1,150 |
| Defined benefit | 1,100 |
| 401(k) | 50 |
| Employer contributions | 58 |
| Benefit payments | 82 |
| Passive investments: | |
| Indexed stocks | 36 |
| Indexed bonds | 30 |
| Dedicated immunized | 276 |
| GICs | 12 |
| Alternative investments: | |
| Venture capital | 14 |
| Real estate equity | 56 |
| Mortgage-backed securities | 14 |
| Asset mix: | |
| Stocks | 24% |
| Bonds | 44% |
| Cash equivalents | 25% |
| Real estate equity | 5% |
| Mortgage-backed securities | 1% |
| GICs | 1% |

*as of Aug. 31, 1986

## National Rural Electric Cooperative Association

Washington, D.C.

| | ($ millions) |
|---|---|
| Total assets | 1,550 |
| Defined benefit | 1,300 |
| Thrift or savings | 250 |
| Employer contributions | 130 |
| Benefit payments | 175 |
| In-house assets: | |
| Equities | 100 |
| Fixed income | 500 |
| Short term | 15 |
| Passive investments: | |
| Indexed stocks | 149 |
| GICs | 147 |
| Alternative investments: | |
| International equities | 179 |
| LBOs | 5 |
| Mortgage-backed securities | 20 |
| Asset mix: | |
| Stocks | 48% |
| Bonds | 29% |
| Cash equivalents | 20% |
| Mortgage-backed securities | 2% |
| GICs | 1% |

## Navistar International Corp.

Chicago, Ill.

| | ($ millions) |
|---|---|
| Total assets | 1,655 |
| Defined benefit | 1,650 |
| Thrift or savings | 5 |
| Employer contributions | 375 |
| Benefit payments | 230 |
| Passive investments: | |
| Dedicated/immunized | 1,425 |
| GICs | 30 |
| Alternative investments: | |
| International bonds | 15 |
| Real estate equity | 60 |
| Mortgages | 210 |
| Mortgage-backed securities | 22 |
| Hedging devices: | |
| Bond options | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 1% |
| Bonds | 67% |
| Cash equivalents | 12% |
| Real estate equity | 4% |
| Mortgages | 13% |
| Mortgage-backed securities | 1% |
| GICs | 2% |

Money mover scorecard: Feb. 9.

## Public Employees Retirement System of Nevada

Carson City, Nev.

| | ($ millions) |
|---|---|
| Total assets | 2,048 |
| Defined benefit | 2,048 |
| Employer contributions | 159 |
| Benefit payments | 82 |
| In-house assets: | |
| Other | 93 |
| Passive investments: | |
| Indexed stocks | 300 |
| Dedicated/immunized | 106 |
| Alternative investments: | |
| Venture capital | 14 |
| Real estate equity | 72 |
| Mortgages | 200 |
| Mortgage-backed securities | 297 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 49.3% |
| Bonds | 21.2% |
| Cash equivalents | 0.1% |
| Real estate equity | 3.7% |
| Mortgages | 10.3% |
| Mortgage-backed securities | 15.4% |

## New Mexico Educational Retirement Board

Santa Fe, N.M.

| | ($ millions) |
|---|---|
| Total assets | 1,341 |
| Defined benefit | 1,341 |
| Employer contributions | na |
| Benefit payments | na |

*as of Oct. 31

| | |
|---|---|
| In-house assets: | |
| Equities | 76 |
| Fixed income | 1,246 |
| Short term | 19 |
| Asset mix: | |
| Stocks | 5.7% |
| Bonds | 92.9% |
| Cash equivalents | 1.4% |

The annual Pensions & Investments Performance Evaluation Report will be published in the Feb. 23 issue of *Pensions & Investment Age*.

## Public Employees' Retirement Association of New Mexico

Santa Fe, N.M.

| | ($ millions) |
|---|---|
| Total assets | 1,243 |
| Defined benefit | 1,243 |
| Employer contributions | 94 |
| Benefit payments | 64 |
| Alternative investments: | |
| Real estate equity | 15 |
| Mortgages | 45 |
| Mortgage-backed securities | 130 |
| Asset mix: | |
| Stocks | 31.8% |
| Bonds | 40.9% |
| Cash equivalents | 12% |
| Real estate equity | 1.2% |
| Mortgages | 3.6% |
| Mortgage-backed securities | 10.5% |

## New York Life Insurance Co.

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 1,317 |
| Defined benefit | 1,196 |
| Profit-sharing | 71 |
| Thrift or savings | 26 |
| 401(k) | 24 |
| Employer contributions | 0 |
| Benefit payments | 35 |
| In-house assets: | |
| Equities | 35 |
| Fixed income | 1,044 |
| Other | 64 |
| Alternative investments: | |
| Real estate equity | 31 |
| Asset mix: | |
| Stocks | 3.1% |
| Bonds | 2.9% |
| Real estate equity | 2.7% |
| Annuities | 91.3% |

The directory of investment advisers will run May 25.


THE NOMURA SECURITIES CO., LTD.
BABCOCK & BROWN, INC.

and

EASTDIL REALTY, INC.

are pleased to announce that
Nomura Babcock & Brown Real Estate, Inc.,
a joint affiliate of Nomura and Babcock & Brown,
has acquired a 50% interest in
Eastdil Realty, Inc.

EASTDIL REALTY, INC.

and

THE NOMURA SECURITIES CO., LTD.

are pleased to announce that
Eastdil has been designated as the real estate
investment banking arm of Nomura with
respect to the financing, acquisition,
disposition and investment management of
United States real estate.

EASTDIL

*the real estate investment banking company*

EASTDIL REALTY, INC.
40 W. 57th Street, New York, NY 10019
(212) 315-7200

650 California Street, San Francisco, CA 94108
(415) 788-3232

1980 South Post Oak Boulevard, Houston, Texas 77056
(713) 965-0770

## Police and Firemen's Disability & Pension Fund of Ohio

Columbus, Ohio

| | ($ millions) |
|---|---|
| Total assets | 2,237 |
| Defined contribution | 2,237 |
| Employer contributions | 155 |
| Benefit payments | 183 |
| In-house assets: | |
| Fixed income | 1,293 |
| Short term | 147 |
| Passive investments: | |
| Indexed stocks | 134 |
| Alternative investments: | |
| Venture capital | 10 |
| Real estate equity | 69 |
| Mortgage-backed securities | 311 |
| Asset mix: | |
| Stocks | 27.6% |
| Bonds | 46% |
| Cash equivalents | 7% |
| Real estate equity | 3.3% |
| Mortgage-backed securities | 14.1% |
| Other | 2% |

## School Employees Retirement System of Ohio

Columbus, Ohio

| | ($ millions) |
|---|---|
| Total assets | 1,854 |
| Defined benefit | 1,854 |
| Employer contributions | 207 |
| Benefit payments | 183 |
| In-house assets: | |
| Equities | 106 |
| Fixed income | 756 |
| Short term | 24 |
| Other | 271 |
| Passive investments: | |
| Indexed stocks | 480 |
| Alternative investments: | |
| Venture capital | 15 |
| Real estate equity | 193 |
| Mortgages | 79 |
| Mortgage-backed securities | 321 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 31.6% |
| Bonds | 22.7% |
| Cash equivalents | 13% |
| Real estate equity | 10.4% |
| Mortgages | 4.2% |
| Mortgage-backed securities | 17.3% |
| Venture capital | 0.8% |

## Oklahoma Teachers' Retirement System

Oklahoma City, Okla.

| | ($ millions) |
|---|---|
| Total assets | 1,590 |
| Defined benefit | 1,590 |
| Employer contributions | 125 |
| Benefit payments | 186 |
| In-house assets: | |
| Short term | 239 |
| Alternative investments: | |
| Mortgage-backed securities | 95 |
| Asset mix: | |
| Stocks | 20% |
| Bonds | 59% |
| Cash equivalents | 15% |
| Mortgage-backed securities | 6% |

## Central Pension Fund of the International Union of Operating Engineers and Participating Employers

Washington, D.C.

| | ($ millions) |
|---|---|
| Total assets | 1,515 |
| Defined benefit | 1,515 |
| Employer contributions | 88 |
| Benefit payments | 65 |
| Passive investments: | |
| Indexed stocks | 346 |
| Indexed bonds | 459 |
| GICs | 125 |
| Alternative investments: | |
| Mortgages | 70 |
| Mortgage-backed securities | 120 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 27.5% |
| Bonds | 47.8% |
| Cash equivalents | 2.6% |
| Mortgages | 6.1% |
| Mortgage-backed securities | 7.8% |
| GICs | 8.2% |

## Owens-Illinois

Toledo, Ohio

| | ($ millions) |
|---|---|
| Total assets | 1,875 |
| Defined benefit | 1,625 |
| Defined contribution | 250 |
| Employer contributions | 5 |
| Benefit payments | 100 |
| In-house assets: | |
| Equities | 150 |
| Passive investments: | |
| Indexed stocks | 36 |
| Indexed bonds | 44 |
| Alternative investments: | |
| International equities | 208 |
| International bonds | 47 |
| Venture capital | 30 |
| Real estate equity | 162 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 68% |
| Bonds | 16% |
| Cash equivalents | 6% |
| Real estate equity | 10% |

## Pan American World Airways Inc.

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 1,307 |
| Defined benefit | 546 |
| Defined contribution | 761 |
| Employer contributions | 130 |
| Benefit payments | 90 |
| Passive investments: | |
| Dedicated/immunized | 90 |
| GICs | 27 |
| Alternative investments: | |
| International equities | 35 |
| Asset mix: | |
| Stocks | 42% |
| Bonds | 10% |
| Cash equivalents | 16% |
| GICs | 2% |
| IPGs | 30% |

## J.C. Penney Co. Inc.

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 2,356 |
| Defined benefit | 987 |
| Defined contribution | 1,369 |
| Employer contributions | 31 |
| Benefit payments | 108 |
| Passive investments: | |
| Indexed stocks | 41 |
| Alternative investments: | |
| International equities | 80 |
| Venture capital | 15 |
| LBOs | 10 |
| Real estate equity | 103 |
| Mortgage-backed securities | 5 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 73.5% |
| Bonds | 13.9% |
| Cash equivalents | 0.4% |
| Real estate equity | 10.4% |
| Mortgage-backed securities | 0.5% |
| Other | 1.3% |

## Philadelphia Municipal Pension Fund

Philadelphia, Pa.

| | ($ millions) |
|---|---|
| Total assets | 1,358 |
| Defined benefit | 1,358 |
| Employer contributions | 146 |
| Benefit payments | 180 |
| In-house assets: | |
| Short term | 72 |
| Other | 46 |
| Alternative investments: | |
| Venture capital | 2 |
| Mortgage-backed securities | 6 |
| Asset mix: | |
| Stocks | 42% |
| Bonds | 49.2% |
| Cash equivalents | 5.3% |
| Mortgage-backed securities | 0.4% |
| Other | 3.1% |

## Philip Morris Inc.

New York, N.Y.

| | ($ millions) |
|---|---|
| Total assets* | 1,524 |
| Defined benefit | 1,023 |
| Profit-sharing | 501 |
| Employer contributions | 64 |
| Benefit payments | na |

*As of June 30, 1986

| | |
|---|---|
| Alternative investments: | |
| International equities | 93 |
| Real estate equity | 16 |
| Asset mix: | |
| Stocks | 49% |
| Bonds | 21% |
| Cash equivalents | 9% |
| Real estate equity | 1% |
| GICs | 14% |
| International equity | 6% |

## PPG Industries Inc.

Pittsburgh, Pa.

| | ($ millions) |
|---|---|
| Total assets | 1,476 |
| Defined benefit | 926 |
| Thrift or savings | 503 |
| 401(k) | 47 |
| Employer contributions | 27 |
| Benefit payments | 67 |
| Passive investments: | |
| Indexed stocks | 30 |
| Dedicated/immunized | 330 |
| GICs | 8 |
| Alternative investments: | |
| International equities | 48 |
| Hedging devices: | |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 49% |
| Bonds | 44% |
| Cash equivalents | 6% |
| GICs | 1% |

Treasury management: Aug. 10

## The Board of Pensions of the Presbyterian Church (U.S.A.)

Philadelphia, Pa.

| | ($ millions) |
|---|---|
| Total assets | 1,750 |
| Defined benefit | 1,750 |
| Employer contributions | 56 |
| Benefit payments | 50 |
| In-house assets: | |
| Short term | 17 |
| Passive investments: | |
| Indexed stocks | 251 |
| Indexed bonds | 110 |
| GICs | 275 |
| Alternative investments: | |
| International equities | 117 |
| International bonds | 10 |
| Real estate equity | 34 |
| Mortgage-backed securities | 50 |
| Hedging devices: | |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 56% |
| Bonds | 22% |
| Cash equivalents | 1% |
| Real estate equity | 4% |
| Mortgage-backed securities | 3% |
| GICs | 14% |

## Raytheon Co.

Lexington, Mass.

| | ($ millions) |
|---|---|
| Total assets | 1,840 |
| Defined benefit | 1,500 |
| Defined contribution | 30 |
| Profit-sharing | 10 |
| 401(k) | 300 |
| Employer contributions | 100 |
| Benefit payments | 40 |
| Passive investments: | |
| Indexed stocks | 400 |
| Dedicated/immunized | 320 |
| Alternative investments: | |
| Real estate equity | 60 |
| Asset mix: | |
| Stocks | 67% |

### Funds investing in oil and gas ($ millions)

| Fund | Assets |
|---|---|
| American Telephone & Telegraph Co. | 247 |
| GTE Corp. | 145 |
| Minnesota State Board | 68 |
| Southwestern Bell Corp. | 50 |
| U S WEST Inc. | 50 |
| Episcopal Church Pension Fund | 40 |
| Exxon Corp. | 35 |
| Xerox Corp. | 25 |
| Caterpillar Inc. | 24 |
| Allied-Signal Inc. | 20 |
| Hughes Aircraft Co. | 20 |
| USX Corp. | 20 |
| Textron Inc. | 15 |
| Honeywell Inc. | 14 |
| Eastern Air Lines & Pilots | 10 |
| Monsanto | 10 |
| United Technologies Corp. | 10 |
| Armco Inc. | 9 |
| Grumman Corp. | 9 |
| Atlantic Richfield | 8 |
| ITT Corp. | 6 |
| Tennessee Valley Authority | 2 |
| **Total** | **837** |

### Funds investing in venture capital ($ millions)

| Fund | Assets |
|---|---|
| American Telephone & Telegraph Co. | 316 |
| U S WEST Inc. | 200 |
| Washington State Investment Board | 190 |
| Minnesota State Board | 144 |
| Michigan State Employees | 130 |
| Southwestern Bell Corp. | 100 |
| Hewlett-Packard | 92 |
| GTE Corp. | 90 |
| New York State Common Fund | 90 |
| Oregon Employes Retirement System | 90 |
| Los Angeles County | 80 |
| Boeing Co. | 75 |
| University of California | 75 |
| Pennsylvania School Employes | 72 |
| Pennsylvania State Employees | 66 |
| Sears Roebuck & Co. | 64 |
| Ameritech | 60 |
| Chicago Employees | 60 |
| Hughes Aircraft Co. | 60 |
| Wisconsin Investment Board | 60 |
| Exxon Corp. | 58 |
| Aluminum Co. of America | 50 |
| Ford Motor Co. | 50 |
| San Francisco Employees | 50 |
| Allied-Signal Inc. | 45 |
| New York State Teachers | 45 |
| Atlantic Richfield | 44 |
| LTV Corp. | 41 |
| FMC Corp. | 40 |
| Detroit Retirement Systems | 36 |
| Delta Air Lines Inc. | 35 |
| E.I. du Pont de Nemours & Co. Inc. | 35 |
| Ohio Public Employees | 33 |
| World Bank | 32 |
| Owens-Illinois | 30 |
| Westinghouse Electric Corp. | 30 |
| Xerox Corp. | 30 |
| Illinois Municipal Retirement Fund | 28 |
| Conoco Inc. | 27 |
| United Technologies Corp. | 26 |
| Delaware State | 25 |
| Massachusetts PRIT | 24 |
| Dow Chemical Co. | 23 |
| General Foods Corp. | 22 |
| Standard Oil Co. | 22 |
| Iowa Public Employees | 20 |
| TRW Inc. | 20 |
| Utah State Retirement Board | 20 |
| Armco Inc. | 19 |
| Grumman Corp. | 19 |
| RJR Nabisco | 18 |
| Illinois State Board | 16 |
| Ohio Teachers Retirement System | 16 |
| Dart & Kraft Inc. | 15 |
| J.C. Penney Co. Inc. | 15 |
| Ohio School Employees | 15 |
| Deere & Co. | 14 |
| Illinois Teachers | 14 |
| National Intergroup Inc. | 14 |
| Nevada Public Employees | 14 |
| Southern California Edison | 14 |
| Colorado Public Employees | 10 |
| Minnesota Mining & Manufacturing Co. | 10 |
| Ohio Police and Fire | 10 |
| Houston City, Fire and Police | 9 |
| Eli Lilly and Co. | 8 |
| Unocal Corp. | 7 |
| Honeywell Inc. | 6 |
| Inland Steel Industries Inc. | 5 |
| NYNEX Corp. | 4 |
| Continental Can Co. | 3 |
| Philadelphia Municipal | 2 |
| Massachusetts State Employees | 1 |
| Presbyterian Church U.S.A. | 1 |
| Rhode Island State & City | 1 |
| **Total** | **3,335** |

| | |
|---|---|
| Bonds | 28% |
| Cash equivalents | 1% |
| Real estate equity | 4% |

## State of Rhode Island Retirement System and Municipal Employees Retirement Fund

Providence, R.I.

| | ($ millions) |
|---|---|
| Total assets* | 1,483 |
| Defined benefit | 1,483 |
| Employer contributions | 17 |
| Benefit payments | 22 |

*as of June 30, 1986

| | |
|---|---|
| In-house assets: | |
| Short term | 227 |
| Other | 1 |
| Alternative investments: | |
| Venture capital | 1 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 39.5% |
| Bonds | 58.9% |
| Cash equivalents | 1.6% |

## The Southern Co. (Southern System Pooled Trust)

Atlanta, Ga.

| | ($ millions) |
|---|---|
| Total assets | 2,060 |
| Defined benefit | 1,586 |
| Defined contribution | 474 |
| Employer contributions | 84 |
| Benefit payments | 39 |

| | |
|---|---|
| Passive investments: | |
| Dedicated immunized | 195 |
| GICs | 53 |
| Alternative investments: | |
| Real estate equity | 9 |
| Asset mix: | |
| Stocks | 62% |
| Bonds | 18% |
| Cash equivalents | 16% |
| Real estate equity | 1% |
| GICs | 3% |

## Annuity Board, Southern Baptist Convention

Dallas, Texas

| | ($ millions) |
|---|---|
| Total assets | 1,767 |
| Defined benefit | 679 |
| Defined contribution | 1,088 |
| Employer contributions | na |
| Benefit payments | 48 |

| | |
|---|---|
| In-house assets: | |
| Short term | 10 |
| GICs | 605 |
| Real estate | 60 |
| Passive investments: | |
| GICs | 605 |
| Alternative investments: | |
| Real estate equity | 29 |
| Mortgages | 31 |
| Mortgage-backed securities | 90 |
| Asset mix: | |
| Stocks | 23% |
| Bonds | 25% |
| Cash equivalents | 8% |
| Real estate equity | 2% |
| Mortgages | 2% |
| Mortgage-backed securities | 5% |
| GICs | 35% |

## Southern California Edison Co.

Rosemead, Calif.

| | ($ millions) |
|---|---|
| Total assets | 1,756 |
| Defined benefit | 1,027 |
| 401(k) | 498 |
| ESOP | 231 |
| Employer contributions | 79 |
| Benefit payments | 129 |

| | |
|---|---|
| Passive investments: | |
| Indexed stocks | 47 |
| GICs | 101 |
| Alternative investments: | |
| International equities | 28 |
| Venture capital | 14 |
| Real estate equity | 11 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 60% |
| Bonds | 26% |
| Cash equivalents | 3% |
| Real estate equity | 1% |
| GICs | 9% |
| Venture capital | 1% |

## Southern California UFCW Unions and Food Employers

Cypress, Calif.

| | ($ millions) |
|---|---|
| Total assets | 1,181 |
| Defined benefit | 1,181 |
| Employer contributions | na |
| Benefit payments | 60 |

| | |
|---|---|
| In-house assets: | |
| Short term | 154 |
| Passive investments: | |
| Indexed stocks | 52 |
| Alternative investments: | |
| Real estate equity | 12 |
| Mortgage-backed securities | 14 |
| Hedging devices: | |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 50.5% |
| Bonds | 19.2% |
| Cash equivalents | 27.8% |
| Real estate equity | 1% |
| Mortgage-backed securities | 1.5% |

## Southern New England Telephone Co.

New Haven, Conn.

| | ($ millions) |
|---|---|
| Total assets | 1,375 |
| Defined benefit | 1,225 |
| Thrift or savings | 150 |
| Employer contributions | 29 |
| Benefit payments | 58 |

| | |
|---|---|
| Passive investments: | |
| Indexed stocks | 366 |
| Alternative investments: | |
| International equities | 96 |
| Real estate equity | 42 |
| Mortgages | 1 |
| Mortgage-backed securities | 5 |
| Hedging devices: | |
| Stock options | Y |

### Funds using portfolio insurance ($ millions)

| Fund | Assets |
|---|---|
| Deere & Co. | 2,200 |
| Illinois Universities | 2,146 |
| Caterpillar Inc. | 1,300 |
| Episcopal Church Pension Fund | 700 |
| Trans World Airlines | 634 |
| Aetna Life & Casualty Co. | 600 |
| Bechtel Power Corp. | 250 |
| Honeywell Inc. | 250 |
| American Stores Co. | 186 |
| Westinghouse Electric Corp. | 140 |
| Conoco Inc. | 130 |
| New York State Teachers | 50 |
| International Paper Co. | 25 |
| Aluminum Co. of America | NA |
| General Electric Co. | NA |
| Teledyne | NA |
| United Technologies Corp. | NA |
| Virginia Retirement System | NA |
| **Total** | **8,611** |


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| | |
|---|---|
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 66% |
| Bonds | 25% |
| Cash equivalents | 6% |
| Real estate equity | 3% |

## Standard Oil Co.

Cleveland, Ohio

| | ($ millions) |
|---|---|
| Total assets | 1,535 |
| Defined benefit | 1,022 |
| Thrift or savings | 470 |
| 401(k) | 43 |
| Employer contributions | 125 |
| Benefit payments | 80 |
| Passive investments: | |
| Indexed stocks | 102 |
| GICs | 100 |
| Alternative investments: | |
| International equities | 50 |
| Venture capital | 22 |
| Real estate equity | 72 |
| Asset mix: | |
| Stocks | 50.8% |
| Cash equivalents | 32.4% |
| Real estate equity | 7.1% |
| GICs | 9.7% |

## Sun Co. Inc.

Radnor, Pa.

| | ($ millions) |
|---|---|
| Total assets | 1,856 |
| Defined benefit | 1,499 |
| Defined contribution | 59 |
| 401(k) | 298 |
| Employer contributions | 53 |
| Benefit payments | 152 |
| Passive investments: | |
| Indexed stocks | 149 |
| Indexed bonds | 99 |
| GICs | 50 |
| Alternative investments: | |
| International equities | 231 |
| Real estate equity | 166 |
| Mortgages | 21 |
| Mortgage-backed securities | 41 |
| Hedging devices: | |
| Stock options | Y |
| Bond options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 51% |
| Bonds | 24% |
| Cash equivalents | 8% |
| Real estate equity | 11% |
| Mortgages | 1% |
| Mortgage-backed securities | 2% |
| GICs | 3% |

## Teamsters, New England Trucking Locals

Boston, Mass.

| | ($ millions) |
|---|---|
| Total assets* | 1,265 |
| Employer contributions | na |
| Benefit payments | na |

*Source: Money Market Directory

## Teledyne Inc.

Los Angeles, Calif.

| | ($ millions) |
|---|---|
| Total assets* | 1,346 |
| Defined benefit | 1,346 |
| Employer contributions | 46 |
| Benefit payments | na |

*P&I Age estimate

| | |
|---|---|
| In-house assets: | |
| Equities | 808 |
| Fixed income | 404 |
| Short term | 134 |
| Asset mix: | |
| Stocks | 60% |
| Bonds | 30% |
| Cash equivalents | 10% |

## Tenneco Inc.

Houston, Texas

| | ($ millions) |
|---|---|
| Total assets | 1,940 |
| Defined benefit | 1,256 |
| Profit-sharing | 1 |
| Thrift or savings | 621 |
| ESOP | 63 |
| Employer contributions | 0 |
| Benefit payments | 55 |
| In-house assets: | |
| Equities | 252 |
| Fixed income | 486 |
| Passive investments: | |
| Indexed stocks | 252 |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 49% |
| Bonds | 47% |
| Cash equivalents | 4% |

## Tennessee Valley Authority

Knoxville, Tenn.

| | ($ millions) |
|---|---|
| Total assets | 2,028 |
| Defined benefit | 964 |
| Defined contribution | 964 |
| Thrift or savings | 100 |
| Employer contributions | 78 |
| Benefit payments | 70 |
| Passive investments: | |
| Indexed stocks | 240 |
| Indexed bonds | 61 |
| Dedicated immunized | 42 |
| GICs | 208 |
| Alternative investments: | |
| Oil and gas | 2 |
| Real estate equity | 23 |
| Hedging devices: | |
| Stock options | Y |
| Asset mix: | |
| Stocks | 28.5% |
| Bonds | 39% |
| Cash equivalents | 21.5% |
| Real estate equity | 1.1% |
| GICs | 9.9% |

## Texaco Inc.

White Plains, N.Y.

| | ($ millions) |
|---|---|
| Total assets | 2,219 |
| Defined benefit | 1,274 |
| Defined contribution* | 945 |
| Employer contributions | 47 |
| Benefit payments | 172 |

*as of Nov. 30, 1986

| | |
|---|---|
| Passive investments: | |
| Indexed stocks | 163 |
| GICs | 23 |
| Alternative investments: | |
| Real estate equity | 60 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 36% |
| Fixed income | 32% |
| Cash equivalents | 25% |
| Real estate equity | 5% |
| GICs | 2% |

## Texas County & District Retirement System

Austin, Texas

| | ($ millions) |
|---|---|
| Total assets | 1,271 |
| Defined contribution | 1,271 |
| Employer contributions | 75 |
| Benefit payments | 36 |
| In-house assets: | |
| Fixed income | 1,208 |
| Short term | 63 |
| Alternative investments: | |
| Mortgage-backed securities | 446 |
| Asset mix: | |
| Bonds | 60% |
| Cash equivalents | 5% |
| Mortgage-backed securities | 35% |

### Funds investing in GICs ($ millions)

| Fund | Assets |
|---|---|
| Ford Motor Co. | 1,100 |
| New York City Retirement Systems | 686 |
| Procter & Gamble Co. | 664 |
| Southern Baptist Convention | 605 |
| General Electric Co. | 602 |
| Detroit Retirement Systems | 356 |
| Halliburton Savings Plan | 356 |
| Aetna Life & Casualty Co. | 351 |
| Dart & Kraft Inc. | 344 |
| Honeywell Inc. | 331 |
| United Methodist Church | 303 |
| General Foods Corp. | 275 |
| Presbyterian Church U.S.A. | 275 |
| K mart Corp. | 210 |
| Tennessee Valley Authority | 208 |
| Allied-Signal Inc. | 200 |
| General Dynamics Corp. | 192 |
| Trans World Airlines | 168 |
| Boilermakers-Blacksmiths | 152 |
| National Rural Electric Co-op | 147 |
| Bakery & Confectionery Workers | 135 |
| ITT Corp. | 127 |
| International Operating Engineers | 125 |
| Hawaii State Employees | 121 |
| Hercules Inc. | 119 |
| Colorado Public Employees | 118 |
| Pacific Gas & Electric Co. | 114 |
| Inland Steel Industries Inc. | 109 |
| Southern California Edison | 101 |
| Metropolitan Life Insurance Co. | 100 |
| Standard Oil Co. | 100 |
| Martin Marietta Corp. | 98 |
| Ashland Oil Inc. | 95 |
| Delta Air Lines Inc. | 90 |
| Connecticut Trust Funds | 73 |
| Shell Oil Co. | 73 |
| Baltimore Employees | 72 |
| Mobil Oil Corp. | 70 |
| FMC Corp. | 62 |
| Dow Chemical Co. | 54 |
| Southern Co. | 53 |
| Travelers Insurance Co. | 51 |
| Bethlehem Steel Corp. | 50 |
| International Paper Co. | 50 |
| Sun Co. | 50 |
| American Airlines | 45 |
| Hewlett-Packard | 35 |
| Armco Inc. | 34 |
| Conoco Inc. | 30 |
| Navistar International Corp. | 30 |
| Pan American World Airways Inc. | 27 |
| Bechtel Power Corp. | 25 |
| Texaco Inc. | 23 |
| Alabama Retirement Systems | 20 |
| Indiana State Teachers | 15 |
| National Intergroup Inc. | 12 |
| Illinois Universities | 10 |
| Monsanto | 10 |
| PPG Industries Inc. | 8 |
| Teamsters Central States | 7 |
| Idaho Public Employees | 4 |
| United Technologies Corp. | 4 |
| **Total** | **10,476** |

### Funds investing in LBOs ($ millions)

| Fund | Assets |
|---|---|
| Washington State Investment Board | 560 |
| Oregon Employes Retirement System | 400 |
| New York State Common Fund | 380 |
| Wisconsin Investment Board | 200 |
| GTE Corp. | 180 |
| Boeing Co. | 150 |
| TIAA-CREF | 130 |
| American Telephone & Telegraph Co. | 82 |
| Iowa Public Employees | 75 |
| Textron Inc. | 70 |
| United Technologies Corp. | 70 |
| Delta Air Lines Inc. | 65 |
| Michigan State Employees | 65 |
| Massachusetts PRIT | 60 |
| Hughes Aircraft Co. | 50 |
| Illinois State Board | 50 |
| Allied-Signal Inc. | 45 |
| Minnesota Mining & Manufacturing Co. | 33 |
| World Bank | 33 |
| Aluminum Co. of America | 25 |
| ITT Corp. | 11 |
| Grumman Corp. | 10 |
| J.C. Penney Co. Inc. | 10 |
| Armco Inc. | 9 |
| Eastern Air Lines & Pilots | 5 |
| National Rural Electric Co-op | 5 |
| **Total** | **2,773** |

## Texas Municipal Retirement System

Austin, Texas

| | ($ millions) |
|---|---|
| Total assets | 1,350 |
| Defined contribution | 1,350 |
| Employer contributions | na |
| Benefit payments | na |
| In-house assets: | |
| Fixed income | 1,350 |
| Asset mix: | |
| Bonds | 100% |

## Trans World Airlines Inc.

Kansas City, Mo.

| | ($ millions) |
|---|---|
| Total assets | 2,265 |
| Defined benefit | 1,094 |
| Defined contribution | 1,105 |
| Thrift or savings | 66 |
| Employer contributions | 51 |
| Benefit payments | na |
| Portfolio insurance | 634 |
| In-house assets: | |
| Equities | 95 |
| Fixed income | 12 |
| Short term | 292 |
| Passive investments: | |
| Indexed stocks | 64 |
| GICs | 168 |
| Alternative investments: | |
| International equities | 44 |
| Real estate equity | 54 |
| Hedging devices: | |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 48% |
| Bonds | 6% |
| Cash equivalents | 8% |
| Real estate equity | 2% |
| GICs | 17% |
| Annuities | 19% |

The cash management survey will be published in the Nov. 2 issue.

### Dedicated or immunized bond funds ($ millions)

| Fund | Assets |
|---|---|
| Teamsters Western Conference | 4,502 |
| Ameritech | 3,000 |
| Chrysler Corp. | 2,357 |
| Minnesota State Board | 2,286 |
| U S WEST Inc. | 2,026 |
| UMWA Health & Retirement Funds | 1,600 |
| Navistar International Corp. | 1,425 |
| Southwestern Bell Corp. | 1,420 |
| Westinghouse Electric Corp. | 1,250 |
| Caterpillar Inc. | 1,161 |
| Teamsters Central States | 1,144 |
| American Airlines | 1,000 |
| RJR Nabisco | 592 |
| Inland Steel Industries Inc. | 459 |
| FMC Corp. | 432 |
| Mobil Oil Corp. | 420 |
| Ford Motor Co. | 400 |
| Armco Inc. | 381 |
| McDermott International Inc. | 365 |
| PPG Industries Inc. | 330 |
| Raytheon Co. | 320 |
| Honeywell Inc. | 306 |
| Chicago Employees | 300 |
| National Intergroup Inc. | 276 |
| Hercules Inc. | 253 |
| Milwaukee City Employees | 200 |
| Southern Co. | 195 |
| Ohio Teachers Retirement System | 155 |
| Dow Chemical Co. | 113 |
| Nevada Public Employees | 106 |
| Boilermakers-Blacksmiths | 98 |
| Eli Lilly and Co. | 92 |
| Pan American World Airways Inc. | 90 |
| Unisys Corp. | 84 |
| United Methodist Church | 75 |
| Baltimore Employees | 60 |
| Tennessee Valley Authority | 42 |
| United Technologies Corp. | 33 |
| **Total** | **29,350** |

## Travelers Insurance Co.

Hartford, Conn.

| | ($ millions) |
|---|---|
| Total assets | 1,553 |
| Defined benefit | 1,159 |
| Thrift or savings | 288 |
| 401(k) | 48 |
| Other | 58 |
| Employer contributions | 37 |
| Benefit payments | 49 |
| In-house assets: | |
| Equities | 462 |
| Fixed income | 311 |
| Short term | 51 |
| Other | 729 |
| Passive investments: | |
| Indexed stocks | 30 |
| GICs | 51 |
| Alternative investments: | |
| International equities | 82 |
| Real estate equity | 70 |
| Mortgages | 24 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Asset mix: | |
| Stocks | 44% |
| Bonds | 5% |
| Cash equivalents | 4% |
| Real estate equity | 5% |
| Mortgages | 2% |
| GICs | 3% |
| Other | 37% |

**Funds using bond options**

Aluminum Co. of America
Bechtel Power Corp.
Bell Atlantic Corp.
Chrysler Corp.
Conoco Inc.
Dart & Kraft Inc.
Delta Air Lines Inc.
E.I. du Pont de Nemours & Co. Inc.
Episcopal Church Pension Fund
General Electric Co.
Halliburton Savings Plan
Illinois Universities
International Paper Co.
Kansas Public Employees
Monsanto
Newstar International Corp.
Owens-Illinois
Pacific Gas & Electric Co.
Southern California Edison
Sun Co.
USX Corp.
Washington Investment Board

**Funds using stock options**

Aetna Life & Casualty Co.
Alabama Retirement Systems
Aluminum Co. of America
American Airlines
Atlantic Richfield
Bakery & Confectionery Workers
Baltimore Employees
Bechtel Power Corp.
Bell Atlantic Corp.
Caterpillar Inc.
Chicago Employees
Chrysler Corp.
Colorado Public Employees
Conoco Inc.
Dart & Kraft Inc.
Delta Air Lines Inc.
Dow Chemical Co.
Episcopal Church Pension Fund
Florida Board of Administration
GTE Corp.
General Electric Co.
Honeywell Inc.
Houston City, Fire and Police
Hughes Aircraft Co.
Idaho Public Employees
Illinois State Board
Illinois Universities
Inland Steel Industries Inc.
International Operating Engineers
International Paper Co.
J.C. Penney Co. Inc.
K mart Corp.
Kansas Public Employees
Los Angeles Fire and Police
Los Angeles Water & Power
Milwaukee City Employees
Monsanto
Nevada Public Employees
New Jersey Division of Investment
North Carolina Retirement Systems
Ohio School Employees
Ohio Teachers Retirement System
Oregon Employee Retirement
Owens-Illinois
Pacific Gas & Electric Co.
Pennsylvania School Employees
Rhode Island State & City
Sears Roebuck & Co.
Southern California Edison
Southern New England Telephone
Sun Co.
Tennessee Consolidated
Tennessee Valley Authority
Texaco Inc.
Travelers Insurance Co.
USX Corp.
Union Carbide Corp.
United Technologies Corp.
Utah State Retirement Board
Washington Investment Board
Westinghouse Electric Corp.
World Bank

## TRW Inc.

Chagrin Falls, Ohio

| | ($ millions) |
|---|---|
| Total assets* | 2,005 |
| Defined benefit | 1,834 |
| Other | 171 |
| Employer contributions | 11 |
| Benefit payments | na |

*Source: Money Market Directory

| | |
|---|---|
| Alternative investments: | |
| International equities | 140 |
| Venture capital | 20 |
| Asset mix: | |
| Stocks | 69% |
| Bonds | 22% |
| Cash equivalents | 8% |
| Venture capital | 1% |

## United Methodist Pension Fund

Evanston, Ill.

| | ($ millions) |
|---|---|
| Total assets | 2,416 |
| Defined contribution | 2,416 |
| Employer contributions | 160 |
| Benefit payments | 120 |
| In-house assets: | |
| Fixed income | 310 |
| Passive investments: | |
| Indexed stocks | 382 |
| Dedicated/immunized | 75 |
| GICs | 303 |
| Alternative investments: | |
| Real estate equity | 45 |
| Mortgages | 6 |
| Asset mix: | |
| Stocks | 56.8% |
| Bonds | 13.1% |
| Cash equivalents | 15% |
| Real estate equity | 2% |
| Mortgages | 0.1% |
| GICs | 13% |

## Unocal Corp.

Los Angeles, Calif.

| | ($ millions) |
|---|---|
| Total assets | 1,207 |
| Defined benefit | 853 |
| Profit-sharing | 354 |
| Employer contributions | na |
| Benefit payments | 200 |
| Alternative investments: | |
| International equities | 47 |
| Venture capital | 7 |
| Real estate equity | 45 |
| Asset mix: | |
| Stocks | 48% |
| Bonds | 13% |
| Cash equivalents | 12% |
| Real estate equity | 5% |
| Annuities | 21% |
| Other | 1% |

## State of West Virginia

Charleston, W. Va.

| | ($ millions) |
|---|---|
| Total assets | 1,230 |
| Other | 1,230 |
| Employer contributions | na |
| Benefit payments | na |
| In-house assets: | |
| Fixed income | 1,190 |
| Short term | 40 |


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**Stock index futures**

Aetna Life & Casualty Co.
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Allied-Signal Inc.
Aluminum Co. of America
American Stores Co.
American Telephone & Telegraph
Armco Inc.
Atlantic Richfield
Bechtel Power Corp.
Bell Atlantic Corp.
Boeing Co.
Caterpillar Inc.
Chrysler Corp.
Commonwealth Edison Co.
Conoco Inc.
Dart & Kraft Inc.
Deere & Co.
Delaware State
Delta Air Lines Inc.
Dow Chemical Co.
E.I. du Pont de Nemours & Co. Inc.
Episcopal Church Pension Fund
Exxon Corp.
FMC Corp.
Florida Board of Administration
Ford Motor Co.
GTE Corp.
General Electric Co.
General Foods Corp.
Goodyear Tire & Rubber Co.
Honeywell Inc.
Hughes Aircraft Co.
ITT Corp.
Illinois Teachers
Illinois Universities
International Paper Co.
J.C. Penney Co. Inc.
K mart Corp.
Kansas Public Employees
Minn. Mining & Manufacturing Co.
Minnesota State Board
Monsanto
Oregon Employes Retirement
Owens-Illinois
PPG Industries Inc.
S. Calif. Food/Commercial Workers
Sears Roebuck & Co.
Southern California Edison
Southern New England Telephone
Sun Co.
Teamsters Central States
Tenneco Inc.
Texaco Inc.
Trans World Airlines
Travelers Insurance Co.
U S WEST Inc.
USX Corp.
Union Carbide Corp.
United Technologies Corp.
Virginia Retirement System
Washington Investment Board
Westinghouse Electric Corp.
World Bank

# Corporate funds dropped . . .

*Continued from page 15*

One other fund, Marathon Oil Co., Findlay, Ohio, disappeared because its assets are now reflected in the total of USX Corp., which assumed internal investment management of the fund in July.

Two of the remaining eight funds that dropped in rankings — Phillips Petroleum Co., Bartlesville, Okla., and Dresser Industries Inc., Dallas — terminated pension plans during the year ended Sept. 30.

Phillips recaptured more than $400 million before taxes through a spinoff/termination of a more than $1 billion plan. Dresser terminated a $580 million salaried plan and four small plans during the year, recouping $124 million.

The remaining six funds that dropped from the top 200 are: John Hancock Mutual Life Insurance Co., Boston; American Can Co., Greenwich, Conn.; Eaton Corp., Cleveland; Texas Instruments Inc., Dallas; North American Philips Corp., New York; and Kaiser Permanente Medical Care Program, Oakland, Calif.

Page Palmer, director of corporate finance at John Hancock, said the fund had been overfunded for several years and no contributions have been made. John Hancock, which last year was ranked at 192 with $948 million, slipped to 213 and $1.058 billion.

American Can fell to 214 from 183, with $1.05 billion, mainly because of the sale of a packaging subsidiary and the subsequent transfer of pension assets to the purchaser.

North American Philips slipped to 216 from 198; Kaiser Permanente, to 236 from 200; Texas Instruments, to 250 from 194; and Eaton, to 254 from 191.

While lower contributions account for several dropouts, large contributions and conservative actuarial assumptions pushed up many public and union funds.

Of the 12 funds new to the top 200, four were public — Pension Reserves Investment Trust, Boston; Delaware State Employees Retirement System, Dover; Wyoming Retirement System, Cheyenne; and Idaho Public Employee Retirement System, Boise — and three were union — National Pension Fund for Hospital and Health Care Employees, New York; Teamsters New England Trucking, Boston; and Southern California Food/Commercial Workers, Cypress.

The corporate funds that moved up were Abbott Laboratories, Abbott Park, Ill.; Hewlett-Packard, Palo Alto, Calif.; National Intergroup Inc., Pittsburgh; and GenCorp Inc., Akron, Ohio.

One corporate fund that is new to the top 200 and "new" to *P&I Age*'s survey, is that of newly created Unisys Corp.

The largest fund absorbed as a result of a corporate merger was RCA, which was ranked 75 as of Sept. 30, 1985, with $2.7 billion in employee benefit assets. When GE acquired RCA, GE retained its seventh-place ranking on the new list, and its total assets climbed to $22.9 billion from $15.8 billion a year ago.

Unisys Corp., the company that was born of Burroughs' acquisition of Sperry, took 70th place with $3.9 billion. A year ago, Burroughs was ranked 234 and Sperry, 80.

Chicago-based Navistar International Corp., then named International Harvester Co., was ranked 180 with $1.047 billion in the previous survey. Now it ranks 145 with $1.655 billion.

James Lovett, assistant to the treasurer at Navistar, attributed the higher ranking to the company's contribution of $104.5 million worth of its common stock in December 1986 to its plan and the strong returns achieved on the plan's heavy fixed-income investments.

One fund — the Pension Reserves Investment Trust of Massachusetts — is new to *P&I Age*'s survey. The $1.646 billion fund is a trust that invests the retirement assets of several Massachusetts communities and is part of the Massachusetts State Employees & Teachers Retirement System. It was established in 1983 and got its first allocation in 1984, part of an effort to curb unfunded liabilities statewide.

Executive Director Paul Quirk attributes the fund's high ranking to fast growth, strong returns and stepped-up funding by the Legislature.

Mr. Quirk said the fund now has four purchasing systems, which are communities that buy shares in PRIT, and 12 participating systems, which are towns that turn over all their assets for management and receive a share of the annual state appropriation.

The Hospital and Health Care Employees ranked 150 with $1.6 billion in assets in the current survey, up from 257 with $726 million. Frank Williams, director of finance and administration, attributed it to strong returns.

"We have had excellent performance backed by our aggressive managers, and we are growing very fast," he said.

At GenCorp, Rick Nelson, vice president-general investment funds, said growth and solid investment returns propelled the fund into the top 200. GenCorp was ranked 156, with $1.525 billion in assets as of Sept. 30, from 201 with $900 million a year earlier. ■

# Dedications fall . . .

*Continued from page 16*

tions to be raised, the dedicated portfolios have enabled the fund to wipe out its unfunded liabilities for purposes of the 1980 Multiemployer Pension Plan Amendments Act, said Alan D. Biller, the fund's consultant and president of Alan D. Biller & Associates, Palo Alto, Calif.

That law caused employers leaving an underfunded plan to pay a portion of the funded liabilities, considered a severe disadvantage for multiemployer funds in attracting new contributing employers.

One of the few portfolios created by a top 200 fund last year was a $100 million contingent immunized portfolios established by the $2.05 billion Nevada Public Employees' Retirement System, Carson City.

A contingent immunized strategy combines active management with an minimum absolute rate of return over a set period.

An unusual dedication involved a plan awaiting regulatory approval for a spinoff/termination. In December 1985, Chicago-based FMC Corp. set up a $400 million portfolio based on Treasury bond futures contracts to lock in a 9½% rate for annuities to cover accrued benefits in the plan. The contracts insured a good price for the annuities, said William H. Schumann, director-investments for FMC's $1.64 billion in pension assets.

The $7.07 billion Teamsters Central States, Southeast and Southwest Areas Pension Fund implemented a $1.14 billion portfolio sometime during 1986, but fund officials were unable to provide additional details. Officials at Morgan Stanley Inc., New York, the fund's named fiduciary, declined to discuss the fund's investments.

Assets of several bond portfolios shrank, as assets were drawn off to pay benefits. At Armco Inc., Middletown, Ohio, its immunized bond portfolio declined to $381 million as of Sept. 30, from $394 million the year before.

"Our assets did decline, and that's by design," explained Dennis Furey, general management-investment management. The internally managed portfolio was created in July 1984 with $350 million in assets.

While Armco locked in a high interest rate at that time, immunization is less attractive now, Mr. Furey said.

A few portfolios were unwound during 1986. For example, Chevron Corp., San Francisco, unwound two dedicated portfolios valued at $593 million Sept. 30, 1985, that it had inherited from the Gulf Corp. pension fund after Chevron acquired Gulf.

Chevron "never intended" to keep the portfolios, said R.L. Norman, manager-financial analysis.

Similarly, Allied-Signal Inc., Morris Township, N.J., sold off a $1 billion dedicated bond portfolio inherited from the Signal Co. pension plan, which was merged into the $6.6 billion Allied master trust.

Despite the lack of interest on the part of pension executives in setting up new portfolios, several money managers said they hope the Financial Accounting Standards Board's new pension accounting rules would generate new interest in the products as a way to tame fund volatility.

The new accounting rules have caused many pension executives to focus on protecting the "surplus" in their funds, to avoid having liabilities pop up on the bottom line.

Pension executives seeking to avoid wide swings in the value of their funds may seek to put a portion of the assets in a dedicated or immunized portfolio, said Len Santoro, vice president of Prudential Fixed Income Advisors, Newark, N.J.

Pension executives "may want to match liabilities with assets," such as long-term bonds, in the future, noted Samuel "Spike" Thorn, managing director at Scudder, Stevens & Clark, New York. "That ain't happening now," he added. ■

**Fixed-income futures**

Alaska State Retirement Systems
Allied-Signal Inc.
Aluminum Co. of America
Amoco Corp.
Ashland Oil Inc.
Atlantic Richfield
Bechtel Power Corp.
Bell Atlantic Corp.
Boeing Co.
Caterpillar Inc.
Chevron Corp.
Chrysler Corp.
Conoco Inc.
Dart & Kraft Inc.
Deere & Co.
Delaware State
Delta Air Lines Inc.
E.I. du Pont de Nemours & Co. Inc.
Episcopal Church Pension Fund
FMC Corp.
Florida Board of Administration
Ford Motor Co.
GTE Corp.
General Electric Co.
Goodyear Tire & Rubber Co.
Halliburton Savings Plan
Illinois Teachers
Illinois Universities
International Paper Co.
Kansas Public Employees
Minn. Mining & Manufacturing Co.
Monsanto
Navistar International Corp.
Ohio Teachers Retirement System
Owens-Illinois
Presbyterian Church U.S.A.
RJR Nabisco
S. Calif. Food/Commercial Workers
Southern California Edison
Sun Co.
UMWA Health & Retirement Funds
USX Corp.
Virginia Retirement System
Washington Investment Board
Wisconsin Investment Board
World Bank

## The P&I Age methodology

The information on employee benefit funds contained in this issue was developed in several stages.

Questionnaires were sent to the more than 1,500 funds in *Pensions & Investment Age*'s data base. From the completed questionnaires and follow-up telephone calls, the top 200 and top 1,000 funds were identified.

The more detailed information contained in the profiles of the 200 largest funds (*beginning on page 28*) was obtained from the completed questionnaires, interviews with fund officials and articles published in *P&I Age*.

In most cases, the information reflects fund operations as of Sept. 30, 1986.

Where no information was available from the fund, statistics were taken from the 1987 Money Market Directory of Pension Funds and Their Investment Managers.

In the tables accompanying the profiles, NA (not available) was applied to funds that had less than $1 million allocated to the particular investment as well as to funds that could not provide a breakout of assets but are known to invest in those areas. Dollar amounts in all charts were rounded to the nearest million.

Alternative investments:
Mortgages ..... 38
Mortgage-backed securities ..... 18
Asset mix:
Bonds ..... 92%
Cash equivalents ..... 3.5%
Mortgages ..... 3%
Mortgage-backed securities ..... 1.5%

## The World Bank

Washington, D.C.

| | ($ millions) |
|---|---|
| Total assets | 2,200 |
| Defined benefit | 2,200 |
| Employer contributions | 65 |
| Benefit payments | 29 |
| Passive investments: | |
| Indexed stocks | 505 |
| Alternative investments: | |
| International equities | 466 |
| International bonds | 134 |
| Venture capital | 32 |
| LBOs | 33 |
| Real estate equity | 55 |
| Mortgages | 20 |
| Mortgage-backed securities | 155 |
| Hedging devices: | |
| Stock options | Y |
| Stock index futures | Y |
| Fixed-income futures | Y |
| Asset mix: | |
| Stocks | 61% |
| Bonds | 21% |
| Cash equivalents | 5% |
| Real estate equity | 3% |
| Mortgages | 1% |
| Mortgage-backed securities | 7% |
| Venture capital | 2% |

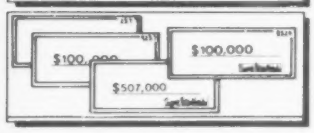
## Xerox Corp.

Stamford, Conn.

| | ($ millions) |
|---|---|
| Total assets | 2,318 |
| Defined benefit | 192 |
| Defined contribution | 1,755 |
| Thrift or savings | 371 |
| Employer contributions | 87 |
| Benefit payments | 100 |
| Alternative investments: | |
| International equities | 139 |
| International bonds | 12 |
| Venture capital | 30 |
| Oil and gas | 25 |
| Real estate equity | 204 |
| Mortgage-backed securities | 18 |
| Asset mix: | |
| Stocks | 65.6% |
| Bonds | 7.9% |
| Cash equivalents | 15% |
| Real estate equity | 10.5% |
| Mortgage-backed securities | 1% |

# Cash Management

## Account monitoring aided




JACKSONVILLE, Fla. — Alliance Mortgage Co. recently decided to use a microcomputer-based product to monitor the daily activity in 12 key accounts, said Marcus Turko, assistant vice president and manager of treasury operations at Alliance.

Mr. Turko said Alliance chose the product, offered by Florida National Bank, Jacksonville, to facilitate treasury operations.

"We, in order to manage our daily borrowings and our daily activity, need to see the activity in these key accounts," he said.

The 12 accounts — in New York, Jacksonville and Charlotte, N.C. — were selected because of their size and as a means of controlling cost.

"It would be too cost prohibitive to put every account on there," said Mr. Turko. "We're just talking about the big ones with a lot of activity."

He declined to release the total number of bank accounts or figures on the company's borrowing activity.

Mr. Turko also said the product, called Florida MicroLink, enables him to initiate wire transfers and credits via the automated clearing house network without having to make a separate call to the bank.

### *Dividend capture set*

CINCINNATI — Seeking higher yields over money-market instruments, Eagle-Picher Industries Inc. hired three managers to run dividend capture programs for $30 million in idle corporate cash, said Joshua Adams, assistant treasurer.

Hired were Conner Capital Corp., Summit, N.J.; Gateway Investment Advisers Inc., Cincinnati; and Paramount Capital Group Inc., New York. Each will run separate accounts of $10 million each, he said.

Mr. Adams said the money is coming from Eagle-Picher's account with Schroder Capital Management International, New York. Schroder will still retain about $15 million to run in Eagle-Picher's corporate cash, he added. Schroder has run the company's corporate cash "off and on for three years," he said. Most of Schroder's investments are in money market instruments.

In addition, Mr. Adams said Eagle-Picher runs about $5 million in corporate cash in-house in a portfolio of repurchase agreements.

*Continued on page 82*

## Disbursement disagreement

### 2% cost hike doesn't hit cash managers' estimate

**By Chuck Paustian**

The cost of controlled disbursement accounts has increased far less than generally perceived by corporate cash managers, a recent study shows.

Statistics collected by Phoenix-Hecht Inc. researchers in Research Triangle Park, N.C., show the cost of a standard package of controlled disbursement services increased slightly more than 2% during 1986.

That increase differs significantly from the findings of an earlier Phoenix-Hecht survey of corporate cash managers, which revealed the executives believed banks had increased their prices between 12% and 15% last year.

The Phoenix-Hecht research also showed money center banks tend to charge more for their controlled disbursement accounts than both major regional banks and smaller banks.

The research, based on a universe of 200 banks representing 205 sites, asked banks to price a standard package of services that disbursed 5,000 checks per month.

The data showed the median price for disbursements increased 2.1% to $1,090 per month during 1986.

Forrest Johnson, senior vice president of Phoenix-Hecht, said the increase primarily was because of inflationary increases in the costs incurred by banks to provide controlled disbursement capability.

According to the Phoenix-Hecht data, the largest component of bank pricing is the per item charge for checks paid. This charge represents 57% of total cost for an account disbursing 5,000 checks per month.

The data showed this charge remained virtually unchanged during 1986. The median per item charge remained at 14 cents, while the mean charge increased to 14.2 cents per item from 13.9 cents per item.

The controlled disbursement maintenance charge also remained about the same during 1986. The median maintenance charge, $112.50, increased 2% from the previous year while the mean maintenance charge, $131.77, remained unchanged.

Mr. Johnson said the faulty perception on the part of cash managers is the result of their focus on increases or decreases in compensating balances rather than specific bank fees.

"If interest rates drop 10%, then the compensating balances are going to go up 10% even if the bank's prices remain the same.

"(Cash managers) don't get a bill as to what the fees actually are, they get a bill as to what type of balances they need to keep," Mr. Johnson said.

He said one way to eliminate this confusion would be to pay for bank services on a fee basis.

"A lot of things would be clearer if companies switched to fees from compensating balances, but there's no real move in that direction," said Mr. Johnson.

The research data also showed money center banks tended to charge more for their controlled disbursement services.

The data showed money center banks charged 116% of the national mean for controlled disbursement accounts. Major regional banks, however, charged 112% of the national mean while small and regional banks charged 92% of the national mean for controlled disbursement services.

**Payden & Rygel index of short maturity assets***
**(for month ended Dec. 31)**

| | December 1986 | Quarter ended 12/31/86 | Year to date | 12 months ended 12/31/86 | Yield level monthly change* |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4299 | 1.2960 | 6.6548 | 6.6548 | 28 |
| Domestic CD | 0.4206 | 1.4062 | 7.1507 | 7.1507 | 43 |
| Euro $ CD | 0.4710 | 1.4733 | 7.3003 | 7.3003 | 25 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.3958 | 1.3173 | 7.2204 | 7.2204 | 21 |
| Domestic CD | 0.3694 | 1.3516 | 7.4818 | 7.4818 | 30 |
| Euro $ CD | 0.4185 | 1.4227 | 7.6405 | 7.6405 | 20 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.3221 | 1.3461 | 8.2471 | 8.2471 | 19 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.2785 | 1.6459 | 10.2192 | 10.2192 | 14 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
[a]Basis points.
Source: Payden & Rygel, Los Angeles

## *Dollar expected to make slight gain in '87*

CLAREMONT, Calif. — Despite the recent sharp rise of the deustche mark and yen against the dollar, Claremont Economics Institute is sticking by its forecast that the dollar will rise against the major currencies in 1987.

The Claremont forecast, compiled at the end of December and released in mid-January, predicts that by the end of 1987, the deustche mark will fall to 2.25 marks per dollar from 2.01 marks last Dec. 30. But in recent days, the mark has moved up sharply, strengthening to 1.83 marks per dollar as of Jan. 20.

The forecast also predicts a fall in the yen to 190 yen per dollar by year end from 163 yen at the end of last December. But recently the yen has jumped, rising to 152.7 yen per dollar as of Jan. 20.

John Hekman, senior economist, suggested the dollar's recent fall was set off by a rise in oil prices and by administration hopes that the dollar has to fall to improve the trade deficit.

"We think that is a short-run view and the dollar will improve," he said.

He said Claremont holds that "exchange rates are set more by capital flows than trade flows, and the United States is the best place to invest."

The recently released Claremont forecast charts 19 currencies against the dollar.

Claremont notes the biggest risk to its outlook is the U.S. entering a recession early this year. Such news could drop the dollar 10% or so against the deutsche mark and Swiss franc. A recession would pose little "risk for the dollar against the yen because of the Japanese recession."

Among other currencies, Claremont predicts that by December:

- **Canadian dollar** will remain virtually unchanged, rising slightly to $1.37 Canadian per U.S. dollar from $1.38 Canadian last December.
- **French franc** will fall to 7.65 francs per dollar from a recent 6.59 francs.
- **Pound sterling** will fall to $1.25 per pound from a recent $1.43 per pound.
- **Swiss franc** will fall to 1.98 francs per dollar from a recent 1.69 francs.
- **Dutch guilder** will fall to 2.60 guilders per dollar from a recent 2.28 guilders.
- **Italian lira** will fall to 1,644 lire per dollar from a recent 1,395 lire.

*Continued on page 82*

We are pleased to announce
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# Corporate Finance

## Credit raters see upswing in downgrades

By Brad Rudin

Credit downgrades outnumbered upgrades at all five rating agencies last year, a development linked to corporate restructurings, low oil prices and weakness in real estate and agriculture.

Both Standard & Poor's Corp. and Moody's Investors Service, both in New York, reported the number of downgrades were a record for their agencies.

The avalanche of downgrades left questions about corporate America's ability to service its debt when the economy moves onto the downward slope of the business cycle.

"There will be severe borrower problems during the next recession," said Francis H. Schott, chief economist at The Equitable Life Assurance Society of the United States, New York. "In that sense there will be a day of reckoning. I'm absolutely convinced of that."

Of all the rating actions taken by Standard & Poor's in 1986, 71% were downgrades compared with 69% the year before. Downgrades accounted for 63% of the corporate rating changes at Moody's in 1986, while the figure for 1985 stood at 55%.

At Duff & Phelps Inc., Chicago, downgrades made up 59% of the agency's rating actions in 1986, down from 69% the preceding year. Lowered ratings accounted for 62% of the total number of rating actions taken by McCarthy, Crisanti & Maffei Inc., New York, in 1986, up from 45% in 1985.

Fitch Investors Service Inc., New York, reported the lowest proportion of downgrades to total actions in 1986, 51%. In 1985, downgrades accounted for 58% of total actions at Fitch.

The difference between the Fitch rating numbers and the data reported by the other agencies can be explained by looking at Fitch's client base, said Jack Vogel, rating committee chairman. "The companies that are Fitch clients are, in our view, better companies."

Experts differed in their evaluation of the 1986 credit rating changes, views that were colored by their economic outlook for 1987.

"We believe that we have at least two solid years of economic expansion ahead of us and that corporate earnings will continue to improve in 1987 and 1988," said Lawrence A. Kudlow, chief economist at Bear, Stearns & Co., New York.

"Debt leveraging risks will turn out to be prudent in most cases rather than imprudent," Mr. Kudlow continued. "Future returns are what these managers are betting on. I think they have good reason to make that bet."

Solomon B. Samson, a senior vice president at Standard & Poor's, offered a less optimistic view of the increased leverage taken on by U.S. corporations. "Clearly, what we're in store for is more defaults than what we've had. Clearly, that's reflected in the rating activity."

Debt taken on at this stage of the business cycle is a source of concern, said M. Cary Leahey, senior economist at Shearson Lehman Brothers Inc., New York. "Obviously when you're in the fifth year of an economic expansion, you have to say to yourself that not too many expansions have lasted longer and clearly lower rated credit is more of a risk."

Even a continuation of the current modest rate of growth poses problems for some of the weaker credits, said James M. Griffin, corporate economist at Aetna Life and Casualty Co., Hartford, Conn.

Only an upturn in the economy can insulate the more vulnerable companies from default, he said.

"It's difficult to understand some of the projections that apparently underlie some of the deals in the junk-bond market," Mr. Griffin said. "You're really counting on a high tide to float all boats."

Improvements in the economy and reductions in the cost structure of many corpora-

*Continued on page 84*

### New issues of corporate securities

Dec. 8, 1986 — Jan. 2, 1987

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 12/12 | California CARS Grantor Trust | 514.22 | Cert. Rec. | 99.94% | .400 | OTC | Salomon |
| 12/17 | Federal National Mortgage Assoc. | 495.00 | Mtg. Backed | 86.30% | .724 | OTC | SAL/BEAR/FBC/GS/MLCM/SLB* |
| 12/17 | GMAC 1986-G Grantor Trust | 444.86 | Cert. Rec. | 99.60% | .402 | OTC | First Boston/Merrill Lynch/Morgan Stanley/Salomon |
| 12/18 | ANAC Merger Corp. | 400.00 | Sr. Sub. Note | 100.00% | 3.500 | OTC | Salomon |
| 12/17 | Fruehauf Holdings | 310.00 | Sr. Sub. Deb. | 98.44% | 3.500 | NY | Merrill Lynch |
| 12/16 | Texas Utilities Electric Co. | 300.00 | First Mtg. | 98.38% | .889 | OTC | Morgan Stanley/Merrill Lynch/Salomon |
| 12/12 | Student Loan Marketing Assoc. | 300.00 | Notes | 99.85% | .576 | OTC | Morgan Stanley/Citicorp |
| 12/11 | Amoco Co. | 300.00 | Debs. | 100.00% | .875 | NY | Morgan Stanley |
| 12/10 | United Technologies Corp. | 300.00 | S.F. Debs. | 98.13% | .892 | OTC | Goldman, Sachs/Salomon |
| 12/9 | Kingdom of Denmark | 300.00 | Bonds | 100.00% | .700 | OTC | SAL/FBC/GS/MLCM/MS/SLB/SBH** |
| 12/23 | Mellon Financial Co. | 250.00 | Notes | 100.00% | .250 | OTC | Goldman, Sachs |
| 12/24 | MGM/UA Communications | 250.00 | Sub. Debs. | 100.00% | 3.000 | OTC | Drexel Burnham Lambert |
| 12/23 | Tosco Corp. | 150.00 | First Mtg. | 100.00% | 3.500 | NY/PC | Bear, Stearns |
| 12/24 | MGM/UA Communications | 150.00 | Sr. Sub. Note | 100.00% | 3.000 | OTC | Drexel Burnham Lambert |
| 12/22 | Salomon Brothers Mortgage IV | 101.00 | Pass-thru | Market | Market | OTC | Salomon |
| 12/23 | Richardson Electronics | 75.00 | Cvt. Sub. Deb. | 100.00% | 2.750 | OTC | Drexel Burnham Lambert |
| 12/30 | Shearson Lehman CMO | 70.50 | FNMA CMO | 83.98% | .782 | OTC | Shearson Lehman |
| 12/30 | Shearson Lehman CMO | 69.20 | FNMA CMO | 57.75% | 1.299 | OTC | Shearson Lehman |
| 12/30 | Shearson Lehman CMO | 60.00 | FNMA CMO | 95.59% | .445 | OTC | Shearson Lehman |
| 12/23 | Sears Mortgage Securities | 59.49 | Pass-thru | Market | Market | OTC | Drexel Burnham Lambert |
| 12/23 | Guild Finance Corp. | 41.33 | FNMA CMO | 99.84% | .776 | OTC | PaineWebber/Kidder, Peabody |
| 12/23 | Guild Finance Corp. | 38.00 | FNMA CMO | 100.00% | .500 | OTC | PaineWebber/Kidder, Peabody |
| 12/30 | Shearson Lehman CMO | 30.30 | FNMA CMO | 88.16% | .624 | OTC | Shearson Lehman |
| 12/31 | Shearson Lehman CMO | 28.82 | FHLMC CMO | 74.91% | 1.000 | OTC | Shearson Lehman |
| 12/31 | Shearson Lehman CMO | 27.46 | FHLMC CMO | 94.69% | .528 | OTC | Shearson Lehman |
| 12/31 | Shearson Lehman CMO | 17.03 | FHLMC CMO | 86.16% | .754 | OTC | Shearson Lehman |
| 12/31 | Shearson Lehman CMO | 14.21 | FHLMC CMO | 61.13% | 1.431 | OTC | Shearson Lehman |
| **Common Stock** | | | | | | | |
| 12/12 | Union Carbide Corp. | 517.50 | | $22.40 | 3.56 | NY/MW/PC | First Boston/Morgan Stanley |
| 12/19 | Navistar International Corp. | 504.90 | | $4.75 | 5.26 | NY | Shearson Lehman/First Boston |
| 12/8 | British Gas PLC | 319.60 | | $19.18 | 2.84 | IPO (NY) | Goldman, Sachs/Merrill Lynch/Prudential-Bache/Salomon |
| 12/16 | Buckeye Partners | 240.00 | | $20.00 | 6.90 | IPO (NY) | Goldman, Sachs/Shearson Lehman |
| 12/23 | Equitable R.E. Shopping Centers | 107.00 | | $10.00 | 7.00 | IPO (NY) | Shearson Lehman |
| 12/18 | Winchell's Donut Houses | 90.00 | | $18.00 | 7.00 | IPO | Merrill Lynch/Dean Witter Reynolds |
| 12/16 | Bank of Boston | 84.30 | | $42.13 | 2.73 | NY/BO | Salomon/PaineWebber |
| 12/23 | Falcon Cable Systems | 80.00 | | $20.00 | 8.00 | IPO (AM) | Morgan Stanley/PaineWebber/Dean Witter Reynolds/Bear, Stearns |
| 12/17 | Georgia Gulf Corp. | 78.00 | | $19.50 | 6.51 | IPO | Goldman, Sachs |
| 12/11 | Vista Chemical Co. | 75.60 | | $17.00 | 6.06 | IPO | E.F. Hutton |
| 12/10 | Catalyst Energy Development Corp. | 74.00 | | $21.75 | 4.37 | OTC | Drexel Burnham Lambert/Hanifen, Imhoff & Samford |
| 12/16 | Talman Home Federal Savings & Loan | 70.20 | | $8.50 | 6.82 | IPO | Salomon/Bear, Stearns/Merrill Lynch/Shearson Lehman |
| 12/29 | Disc Technology Corp. | 31.30 | | $1.25 | 80.00 | IPO | The Stuart-James Co. |
| 12/24 | Tri-Star Pictures | 29.30 | | $9.75 | 5.74 | OTC | Allen & Co./First Boston/Merrill Lynch |
| 12/23 | Grundle Environmental Systems | 12.00 | | $8.00 | 7.00 | IPO (AM) | Drexel Burnham Lambert/Oppenheimer (books) |
| 12/23 | Lowrance Electronics | 6.40 | | $8.00 | 7.25 | IPO | Eppler, Guerin & Turner |
| 12/22 | Lakeland Savings and Loan | 5.40 | | $12.50 | 7.04 | IPO | Ryan, Beck & Co. |

*Source: Securities Data Co., New York*

*Cert. Rec.: Certificates receivable*
*Mtg. Backed: Mortgage-backed securities*
*Sr. Sub. Note: Senior subordinated note*
*S.F. Debs: Sinking-fund debentures*
*FNMA CMO: FNMA-backed collateralized mortgage obligation*
*FHLMC CMO: FHLMC-backed collateralized mortgage obligation*
*Cvt. Sub. Deb.: Convertible subordinated debentures*
*Pass-thru: Pass-through securities*
**Salomon/Bear, Stearns/First Boston/Goldman, Sachs/Merrill Lynch/Shearson Lehman*
***Salomon/First Boston/Goldman, Sachs/Merrill Lynch/Morgan Stanley/Shearson Lehman/Smith Barney, Harris Upham*

*PC: Pacific Stock Exchange*
*NY: New York Stock Exchange*
*OTC: Over the Counter*
*IPO: Initial Public Offering*
*MW: Midwest Stock Exchange*
*AM: American Stock Exchange*
*BO: Boston Stock Exchange*

# Credit . . .

*Continued from page 83*

tions suggest a brighter future for corporate credit, said Samuel Gordon, a senior vice president at Moody's. The deterioration of credit quality has just about reached its end, he said. "I don't think we're going to break another record."

Moody's said the greatest number of downgrades came in the industrial sector, where the agency lowered the ratings of 128 companies. The lowered ratings affected $65.2 billion of outstanding debt, according to a statement announcing Moody's 1986 credit data.

Mergers, acquisitions, leveraged buy-outs, treasury stock buybacks and "other actions of corporate management generally unrelated to fundamentals" affected about half the dollar amount of the debt, Moody's said.

"Corporate restructurings, plunging energy prices and eroding business fundamentals in some basic industries were primarily responsible for 221 industrial ratings being reduced," Standard & Poor's announced in a statement.

Duff & Phelps said it expected "a mixed bag of rating changes this year, with some major surprises. The wild card will be the extent of merger mania." ■

**Corporate credit rating changes**

| | 1986 | | 1985 | |
|---|---|---|---|---|
| | Up | Down | Up | Down |
| Duff & Phelps | 64 | 91 | 53 | 116 |
| Fitch Investors Service | 42 | 43 | 33 | 45 |
| McCarthy, Crisanti & Maffei Inc. | 45 | 72 | 75 | 61 |
| Moody's Investors Service* | 142 | 246 | 124 | 153 |
| Standard & Poor's Corp. | 149 | 364 | 125 | 272 |

* Moody's figures show the number of companies with changed ratings and do not reflect multiple rating changes for a given company. Multiple rating changes are reflected in the figures given by the other four agencies.
Source: Data provided by the agencies

# U.K. is seeking

**By Marci Baker**

GREENWICH, Conn. — The United Kingdom, following the path of the U.S. corporate financing marketplace, will continue to grow more sophisticated in the months ahead as British companies, led by multinationals, show increasing demand for more competitive and esoteric financial advice and products.

While traditional corporate finance products and services continue to garner the greatest demand, U.K. corporations increasingly are seeking newer, more technical types of products and services.

According to Greenwich Associates' 1986 U.K. corporate finance report, the greatest overall demand will be for merger, acquisition or divestiture advice and interest rate swap services.

Forty-four percent of U.K. companies expect to tap merchant banks for swaps and mergers during 1987, but new demand — companies that plan to start using these services — is much greater for swaps.

The Greenwich report is based on interviews with executives at 431 U.K. companies.

Among companies that expect to seek mergers and acquisition or divestiture advice, the vast majority use the services now and/or expect to use them more in the future.

Among those needing swap services, about half of the demand will come from those that are planning to start using interest rate swaps.

Greenwich also projected a doubling of demand for interest rate futures contracts, and a tripling for interest rate caps or collars, Eurocommercial paper and Euronote issues.

But John Colon, a Greenwich associate, cautioned, "On absolute levels, demand is still relatively small," he said.

According to the report, overall demand for swaps and mergers will be greatest.

For interest rate caps or collars, 28% of companies will continue or begin using them in the months ahead; 23% expect to tap interest rate futures. Total demand for Eurocommercial paper and Euronote issues was 17% and 13%, respectively, according to the report.

The least total demand — 7% each — exists for leveraged buy-out and U.S. commercial paper services.

Mr. Colon suggested the demand for more esoteric financing instruments may stem from the relative thinness of the corporate debt market in the United Kingdom. "There's not a high volume of sterling issues in the U.K. Companies may be looking abroad for hedges," he said.

Demand for the range of merchant banking services by existing and new users will be strongest among multinationals or the largest companies in terms of sales.

Nearly two-thirds of multinationals are expected to be users of merger and acquisition services and about one-fifth expect to use them more this year.

At the same time, more than half the companies with annual sales in excess of $1.49 billion expect to tap mergers and acquisition services, with about 20% of companies expecting to use those services more.

The greatest new demand should come from companies with sales between $149 million and $372.5 million where 6% responded that they planned to seek merger advice.

Multinationals will remain the most active users of interest rate swaps as well — 57% said they are existing or potentially new users of swaps.

Total demand for interest rate swaps is expected to range from one-quarter of the smallest companies to more than two-thirds of the largest.

Overall, about 20% of respondents said they plan to begin using interest rate swaps this year.

Demand for interest rate futures contracts should show strong growth from all types of companies.

One in four companies should be accessing these instruments in the months to come vs. one in 10 for current users,

*Continued on page 85*

**Permanent Mortgage Financing Arranged by Alex. Brown Realty Advisors**

**$ 37,400,000**
Participating Mortgage Financing
for
**Union Trust Tower**
Baltimore, Maryland
*(a 380,000 square foot office building)*
A Development of
**Trammell Crow Company**
The undersigned arranged this transaction
ALEX. BROWN REALTY ADVISORS

**$ 30,000,000**
Participating Mortgage Financing
for
**First National Bank Building**
**Enterprise Center**
Jacksonville, Florida
*(a 360,000 square foot office building)*
A Development of
**Faison Associates**
The undersigned arranged this transaction
ALEX. BROWN REALTY ADVISORS

**$ 96,500,000**
Participating Mortgage Financing
for
**One James Center, Two James Center**
Richmond, Virginia
*(a 470,000 square foot office building)*
*and*
*(a 370,000 square foot office building)*
A Joint Venture Development of
**Faison Associates and CSX Resources**
The undersigned arranged this transaction
ALEX. BROWN REALTY ADVISORS

**$ 31,600,000**
First Mortgage Financing
for
**Eight Penn Center**
Philadelphia, Pennsylvania
*(a 290,000 square foot office building)*
On behalf of the borrowers:
**The Equitable Life Assurance Company of the United States**
**and**
**Donaldson Lufkin & Jenrette**
The undersigned arranged this transaction
ALEX. BROWN REALTY ADVISORS

ABRA
ALEX. BROWN REALTY ADVISORS
225 East Redwood Street
Baltimore, Maryland 21202 (301) 727-3884

2/11/87 C2710-2


# Pensions & Investment Age



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# Top 200 funds win $63 billion in rally

By Marcia Parker

Riding the market's explosive new year's rally, the equity portfolios of the 200 largest pension funds gained almost $63 billion in January, *Pensions & Investment Age* estimates.

Combined with the market gains of the third quarter, this lifted equity assets for the top 200 funds to an estimated $528 billion from $441.1 billion as of Sept. 30.

The $62.8 billion increase estimated for the top 200 in January assumed they equaled the return of the Standard & Poor's 500 stock index. The composite asset mix among the top 200 funds was 43.6% equities as of Sept. 30. Total assets of the top 200 on that date were about $1.1 trillion.

The S&P 500 registered an impressive 13.5% gain in January, while the Dow Jones industrial average topped the magical 2,000 mark Jan. 8, then rushed past it to set a string of consecutive day new highs, hitting 2,163 during the month.

Except for a couple of steep declines that sent brief tremors through the market, the advance is back on track. And most analysts expect the bull market to endure at least through June.

That's good news for pension executives like W. Allen Harrison, assistant treasurer of Exxon Corp., New York. Although he didn't yet have performance data for January, "we have a fairly good feeling about how we did." Mr. Harrison wouldn't give a recent equity number, but said the fund has more than the 58% in equities reported as of Sept. 30.

Ralph Cuomo, assistant treasurer of the $240 million Hearst Corp., New York, said his fund "did real well, though I don't know yet just how well." He said Hearst would remain heavily weighted in equities because he is confident about the market's continued strength. As of Sept. 30, Hearst had 73.5% in stocks.

Eric Fuchs, director-pension fund benefits, AMAX Corp., Greenwich, Conn., said the $280 million fund was about 76% invested in equities as of Jan. 1. "We achieved about 10% total return for month, with equities up 13%-14%," Mr. Fuchs said.

He added equities will continue to be the predominant investment for the pension fund for the foreseeable future because he thinks the market will be driven by strong earnings and the AMAX portfolio is heavily invested in growth stocks. As of Jan. 31, the AMAX fund had about $135 million in equities.

Among the pension funds profiled by *P&I Age* each January, the equity portfolios for the 108 corporate funds in the top 200, in aggregate, swelled an estimated $43.3 billion to $267.7 billion as of Jan. 31 from $223.4 billion as of Sept. 30. The corporate funds in the top 200 were 50.1% invested in equities.

The 71 public funds in the top 200, which had $145.6 billion — or 33.4% of assets — invested in equities of $435.9 billion in total assets, gained more than $29 billion between the end of September and Jan. 31.

The 10 union funds in the top 200, which had 36.1% or $13 billion in equities of $36 billion in total assets as of Sept. 30, gained about $2.4 billion.


*Continued on page 44*


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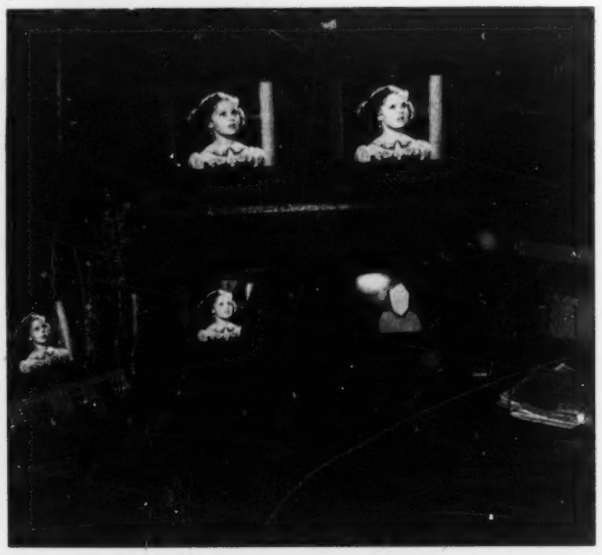

COLOR MY WORLD: General Electric's Pension Trust, by purchasing a convertible bond issued by Color Systems Technology, has helped the firm purchase a film library of Shirley Temple classics, which it is "colorizing" — page 8.

CORPORATE FINANCE: Harley-Davidson's IPO has put the company in gear for broadening its earnings base — page 21.


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MD 20814


# Plan's surplus pays loan

## Acme-Cleveland's switch to technology aided

By John Covaleski

CLEVELAND — Acme-Cleveland Corp., using some $19 million in surplus pension assets, is redirecting its future into technology and telecommunications products, moving away from its old-line machine tool manufacturing businesses.

The $19 million reversion — reduced to $17 million after taxes — stems from the recent termination of the company's $82 million pension plan for salaried employees. The surplus assets will be used to help pay off a bank loan, which has covenants that could prevent the company from acquiring or selling off business operations.

The company, which had sales of $186 million in 1986, owes about $19 million from a $25 million revolving loan agreement it has with four banks, led by AmeriTrust Co., Cleveland.

The termination took effect in October, with Acme-Cleveland purchasing $63 million in annuities from John Hancock Mutual Life Insurance Co., Boston, to insure the accrued benefits of the 2,223 active and retired employees who had participated in the terminated plan.

All eligible employees have been vested in a new defined benefit plan that bases benefits on each participant's average pay during his or her career. This gives the company greater control on costs than the old plan, which calculated benefits on an employee's final years of service. The company expects to make its first contribution in June 1988.

*David L. Swift of Acme-Cleveland said recapturing the surplus will speed debt payments.*

As an interim measure to safeguard against interest rate risks, the company in June had transferred about $65 million of the old plan's assets into a short-term, immunized bond portfolio.

In such a portfolio, the duration of the assets is matched to the duration of the liabilities, thus eliminating interest rate risk. Duration is the time it takes to recapture half of the present value of the cash flow of the assets or liabilities.

David L. Swift, vice president of administration and secretary at Acme-Cleveland, said, "Without the recaptured surplus, it would have taken the company several years to pay off the debt and remove the covenant."

L. Michael Braig, an analyst with Johnson, Lane, Space, Smith & Co., Atlanta, called the use of the reversion to pay off the loan "exceedingly important."

"The banks last year started tightening the covenants to where it was a choke collar," he added.

Mr. Swift said the company


*Continued on page 44*


# *Labor trustees sue Eastern*

By Brad Rudin

MIAMI — Two labor trustees of an Eastern Airlines pension fund have charged Eastern Airlines Inc. with breach of fiduciary duty.

If the suit filed in U.S. District Court in Miami goes to trial, it likely will clarify the responsibility of a management-appointed trustee faced with conflicting demands from the plan sponsor and plan beneficiaries.

The labor trustees of the Eastern Airlines Fixed Benefit Retirement Income Plan for IAM Mechanics and Related Personnel claim Eastern breached its fiduciary duty to plan beneficiaries by withholding a $16 million contribution to the $218 million fund.

Texas Air Corp., which engineered a merger with Eastern last year, the three management trustees appointed by Eastern and the company's general counsel are defendants in the December complaint that started the lawsuit in the Miami division of the Southern District of Florida.

As a part of a 1983 collective bargaining agreement, Miami-based District 100 of the International Association of Machinists and Aerospace Workers won two seats on the five-member board of trustees. Unions rarely have representation on single-employer pension plans.

The 33-page complaint charges the management-appointed trustees breached their fiduciary responsibilities when they refused to obtain independent legal and actuarial advice after the company decided to withhold payment for the 1985 contribution, which was due Sept. 15, 1986.

In addition, the complaint said the defendants breached their fiduciary responsibility under the 1974 Employee Retirement Income Security Act by failing to consider the impact of the loss of funding and by acting in response to the business needs generated by the merger of Eastern and Texas Air Corp., Houston.

No answer has been filed in response to the complaint.

The complaint seeks payment of the contribution, an award of un-


*Continued on page 43*

## Managers' survey out

Questionnaires for *Pensions & Investment Age*'s annual Money Manager Directory, to be published May 25, are in the mail. Completing and returning the questionnaire ensures your firm will be profiled in the special issue, which last year profiled almost 1,000 money managers in the United States, Canada and Europe.

The questionnaires should be returned by Feb. 27.

If your investment management firm or insurance or bank investment department does not receive a questionnaire, please call Carol Wiley, directory coordinator, at (312) 649-5486.

# Investors ease stance against GM

By Barry B. Burr

Cracks are appearing in the once-solid front of the institutional investors that co-sponsored a shareholders' resolution protesting General Motors Corp.'s $742 million buy-out of H. Ross Perot.

Among the six co-sponsors:

- The $13.198 billion Teacher Retirement System of Texas, Austin, has withdrawn its support;
- The $13.5 billion State of Wisconsin Investment Board, Madison, has softened its position; and
- The remaining co-sponsors still support the resolution, although their positions could change.

Roger B. Smith, GM's chairman and chief executive officer, has agreed to at least two more meetings on the issue with co-sponsors.

The $37.7 billion California Public Employees' Retirement System has scheduled a meeting with Mr. Smith Feb. 23 in Sacramento.

Vanguard Group Inc., the mutual fund company, has scheduled a meeting with Mr. Smith the week of Feb. 9 in Valley Forge, Pa.

Both meetings will be private. GM executives already have met with several co-sponsors at Council of Institutional Investors meetings in New York in December and January and with the Wisconsin Investment Board in Madison last month.

Joe Perrone, chief investment officer of the Texas teachers fund, said the fund informed GM executives it was withdrawing as a co-sponsor. The fund isn't a member of CII.

Although he said the fund still objects to the buy-out, "We felt they had at least listened to our position."

Mr. Perrone said he and other fund officials had talked with top GM officials, although not Mr. Smith, by telephone before withdrawing as a co-sponsor.

"We heard their position, which wasn't different from what we knew," he said. "We still disagree with them. What are we going to do about it? Not a whole helluva lot. We don't feel there is much else we can do," he added.

The fund has no plans to sell its GM-related holdings — 532,000 shares of GM common stock, 45,000 of E stock and 23,000 of H stock.

"We would never have attempted to support a resolution on our own," he said.

Nevertheless, he said, the fund would vote independently of management. "We're probably past the stage of a couple of years ago when we voted as a rubber stamp the way management wanted."

Even so, "There is a growing amount of influence taking place as institutions become more vocal," he said. "Management wouldn't attempt to placate us as they do if they didn't think our role had an impact."

Kenneth E. Codlin, executive director of the Wisconsin fund, said of the investment board's position, "We've become more knowledgeable and understanding of (GM's) position. We are still discussing with them this (shareholder) discrimination issue." Wisconsin was a leading advocate of the resolution.

Thomas Aceituno, counsel for the Californ a state treasurer, who is trustee for the two major public funds, said Mr. Smith's meeting would involve only the public employees. The $19.361 billion California State Teachers' Retirement System, another co-sponsor, has not made a request for a meeting.

Mr. Aceituno said no decision has been made on withdrawing support for the resolution.

John Lukomnic, press representative for Harrison J. Goldin, New York City comptroller, said the New York City Employees' and Teachers' retirement systems each is continuing as a co-sponsor. "Right now, there are no plans to withdraw our co-sponsorship," he said.

He said Mr. Goldin believes GM has to show "concrete signs" of improving in 1987. Otherwise, he said Mr. Goldin would work to change management.

Mr. Goldin "wasn't ready to set a time frame," he said. "He wasn't setting a daily or quarterly time frame. But he wasn't willing to wait a decade either." ■

# *Portfolio insurance faces risk*

By Trudy Ring

Even though some market observers say program arbitrage, not dynamic hedging, caused the wild stock market gyrations Jan. 23, continued volatility eventually could create significant problems for dynamic hedgers.

The arbitrageurs, meanwhile, contend they were merely reacting to more fundamental market sentiments that were reflected in futures prices before stock prices. Their arbitrage programs pulled the stock and futures prices in line with one another, they said.

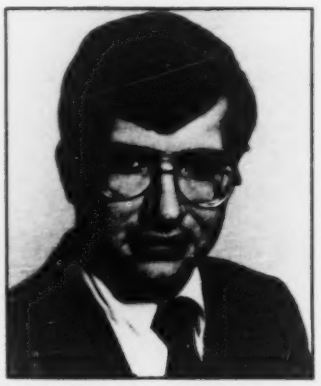
Most dynamic hedgers said they executed no trades that day, when the market, as measured by the Dow Jones industrial average, rose 64 points and fell 114 in little more than an hour. The Dow closed down 44.15 points for the day at 2101.52.

Most managers using dynamic hedging, also called portfolio insurance, said they didn't trade that day because it wasn't necessary. Rises in the stock market in 1986 and early 1987 had lifted client portfolios to the point the Jan. 23 decline wasn't enough to trigger the insurance programs, which generally are implemented with the short sale of stock index futures. The strategy is designed to cut off portfolio losses at a specified point.

But William M. Morris, a principal of William M. Mercer-Meidinger Inc., New York, said dynamic hedging managers couldn't have traded that day if they had wanted to. "It's inconceivable to me that they could have gotten trades off (in the market's most volatile period), and if they did, it cost them a full year's insurance," he said.

During the wild stock market swings, the Standard & Poor's 500 stock index futures contract went quickly to a discount from a premium price, although it recovered later in the day.

Leland O'Brien Rubinstein Associates Inc., Los Angeles, the biggest dynamic hedging manager, did little trading that day, said Larry Edwards, president. Client accounts had benefited from the earlier market run-up and therefore did not reach the point at which the hedge would be triggered, he said.



*The market activity Jan. 23 didn't effect Mead's hedged fund, said Gerald W. Bialka.*

"The net effect (of the market's activity on Jan. 23) was not that much," said Gerald W. Bialka, assistant treasurer of Mead Corp., Dayton, Ohio, whose $525 million pension fund is hedged by LOR.

"As far as I know, there was no trading done on our behalf that day," added C.F. Lemons, director-trusteed benefit funds at Manville Corp., Denver, which has LOR and J.P. Morgan Investment Management Inc., New York, as dynamic hedging managers for its $756 million pension fund.

Oppenheimer Capital Corp. and Bankers Trust Co. — Investment Management Group, both of New York, and Skye Investment Advisors Inc., Cupertino, Calif., did no trades for dynamic hedging clients that day, officials of those firms said.

"I've heard other portfolio insurance managers say the same thing," said Ethan Etzioni, a vice president of Oppenheimer.

Dean D'Onofrio, vice president and manager-quantitative investment group at Bankers Trust, disagreed that dynamic hedgers couldn't have entered the market Jan. 23.

"Couldn't make trades? That's kind of unrealistic," he said. "You couldn't make trades at the prices you wanted, maybe."

He said he did a simulation for a large pension fund showing what would have happened if Bankers Trust had made trades every hour Jan. 23 to implement a six-month portfolio insurance program, in effect from Jan. 1.

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# Withdrawals hit Hancock fund

## Real estate pool may surrender one-third of assets

By Steve Hemmerick

BOSTON — Pension funds want to withdraw at least one-third of the assets in the $600 million Equity Real Estate Account of John Hancock Mutual Life Insurance Co., one of the nation's oldest open-end real estate funds.

Other, larger commingled real estate funds also have experienced withdrawal requests. But those requests, although higher in dollar terms, represent a much smaller percentage of the funds' total assets than they represent to Hancock's 11-year-old fund.

Among reasons for the withdrawals are pension executives' increased sophistication in real estate and the relatively poor performance by the commingled funds. Data collected for *Pensions & Investment Age*'s Scorecard survey shows investors increasingly are moving toward more specialized real estate investment firms that offer closed-end funds or separate accounts, through which they can make direct investments. (*See story on page 13.*)

The $2.6 billion Alaska State Retirement System in early 1986 asked to withdraw its entire $19 million investment in the Hancock fund. Its sole reason for pulling out was to go into more specialized real estate funds, said Marty Lentz, real estate investment officer. The system since has received only $1 million.

Ron Garner, a senior real estate investment officer with Hancock, said he believes there is no run on the fund even though such a large percentage has been marked for withdrawal.

He said he believes the pace of withdrawals will slow and the fund could stabilize with the remaining $400 million in assets.

To stem the withdrawals, Hancock officials are exploring radical changes to improve the investment performance of the fund, which in 1986 had a total return of −2%, according to Mr. Garner. The fund had a return of 6.5% on income, but −8.5% on appreciation.

The changes could include doubling the asset size of the fund through positive leverage — in which debt is used to increase return — and "securitizing" part of the fund by forming a real estate investment trust. The actions would increase the liquidity of the fund sharply, which now has no debt, as well as improve cash-on-cash yields.

Mr. Garner said, however, these moves are under consideration and he could offer nothing "concrete."

He estimated about half of the $200 million in withdrawal requests probably would be honored by the end of this year. Remaining requests would be paid later.

He said requests are honored on a "pro rata" basis and that about $150 million of the withdrawal requests are "serious." He said the other $50 million in requests probably were made because of the time it takes for withdrawals to be honored and because other participants are making withdrawals.

Some investors want to withdraw all of their assets, others only some. The commingled fund has 60 investors, but Garner wouldn't say how many have requested to withdraw money.

Mr. Garner said the trend toward withdrawal from open-end

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Scorecard

# Passive firms more active

## Quantitative managers also net equity clients

By Trudy Ring

Passive and quantitative strategies proved most successful in attracting money for equity management in 1986.

Index funds accounted for much of the gain in domestic equity assets under management by large investment firms in 1986, while quantitative managers were the big gainers among midsize and small firms.

Among firms with more than $1 billion under management, the four that reported the largest net gains in domestic equity assets are all major index fund managers — Wells Fargo Investment Advisors, San Francisco, with a net gain of nearly $10.7 billion; State Street Bank and Trust Co., Boston, with $7.9 billion; Mellon Capital Management Corp., San Francisco, with $4 billion; and Alliance Capital Management Corp., New York, with nearly $2.3 billion. These four had either all or most of their new equity assets in index funds.

The fifth, Northern Trust Co., Chicago, had about one-fourth of its nearly $1.8 billion in new equity assets in pure index funds, but most of the remainder was in derivative products, such as futures, that also are tied to a market index.

Stock indexing soared in the first half of 1986, continuing the trend of the past few years, but appeared to level off in the second half *(Pensions & Investment Age,* Jan. 12). Index funds have been popular because of their management fees and transaction costs are lower than those of active managers, and because many active managers have underperformed broad market indexes in recent years.

However, the leveling off may indicate traditional index funds, such as those based on the Standard & Poor's 500 stock index, have reached the saturation point, and plan executives desire custom index products.

"There has been a fair growth in non-S&P-type index funds," said Frederick L.A. Grauer, president of Wells Fargo. Because many tax-exempt funds now use "normal portfolios," or custom-designed benchmarks to measure performance, they want index funds that behave like these benchmarks, he said.

The 38 new equity clients listed by Wells Fargo on its questionnaire include Singer Co., Stamford, Conn.; Nevada Public Employees' Retirement System, Carson City; Illinois State Universities' Retirement System, Champaign; and Pacific Gas & Electric Co., San Francisco.

Respondents were asked to list clients and were permitted to stipulate some or all client names not be published. Those not listing any client names were not ranked.

State Street Bank provided client names on the condition they not be published. Mellon Capital's new equity clients included Eli Lilly & Co., Indianapolis; Honeywell Inc., Minneapolis; and the Pennsylvania Public School Employes' and State Employes' retirement systems, both of Harrisburg.

Alliance's new equity clients included F.W. Woolworth Co., New York; Los Angeles Fire & Police Pension System; and Nevada Public Employees. Northern Trust's new equity clients included Allied-Signal Inc., Morristown, N.J.; Eli Lilly; and Tribune Co., Chicago.

Index funds, either traditional or custom, often form the core of a pension fund's investment strategy, receiving the largest portion of assets and being supplemented by active management.

Among active managers, those using quantitative techniques proved popular in 1986, possibly because investors may doubt managers' ability to pick stocks based on subjective criteria.

"There's a certain quest for more disciplined and rigorous processes," said Denis R. Bastin, senior vice president of Paribas Asset Management Inc., New York.

Paribas, with $146 million in new equity assets under management in 1986, led all small managers — those with less than $250 million — in that regard. One of Paribas' three new equity clients was Michelin Tire Corp., New York.

*Continued on page 42*

# Index managers score in tally of '86 new business

By Trudy Ring

Almost 20% of the tax-exempt business gained by money managers in 1986 went into index funds, continuing a trend of the past two years.

The 259 managers included in *Pensions & Investment Age*'s Scorecard survey reported a net gain of $179.7 billion in assets under management. They reported $76 billion was in contributions from new clients, $59 billion in additional contributions from existing clients and $62.9 billion in market appreciation, dividends and interest.

The sum of the three latter figures is greater than the net gain because some managers also lost business.

The managers reported $48.5 billion in new domestic equity business; of that, $29.5 billion, or 60.8%, was in index funds. Of the $24.3 billion in new domestic bond business, $5.9 billion, or 24.3%, was in index funds. A total of $11.2 billion went into balanced management.

The 20% of net new business placed in indexed funds overall in 1986 was down from 1985 figures, when 22.5% of net new business was targeted for indexing. That year, 52.6% of net new equity business was indexed, and 4.9% of the fixed-income gain was indexed.

Other asset classes attracting significant amounts of money in 1986 were guaranteed investment contracts, $17.2 billion; dynamic hedging, also known as portfolio insurance, $12.7 billion; and real estate, $6 billion.

International investments, and 24 respondents with most of their assets in that area, were excluded from the Scorecard results because of difficulty in determining whether the assets listed were tax exempt.

Another 39 respondents were excluded from the results because they did not name clients. Money managers were asked to provide client names and were allowed to stipulate that any or all names not be published. Most respondents released some names for publication.

Indexing giant Wells Fargo Investment Advisors, San Francisco, led all respondents with nearly $25.8 billion in new business. It was the top gainer in domestic equity and portfolio insurance business, with $10.7 billion and $7.5 billion respectively, and placed in the top 10 for domestic fixed income, with $2 billion. Also, it listed $9.1 billion of its new assets as being a result of market appreciation.

Wells Fargo handles indexed products exclusively, although some of the funds track customized indexes or are enhanced with futures with the aim of beating a market benchmark.

Wells Fargo had the top spot for the second consecutive year, but its 1986 gain of assets under management more than doubled its 1985 figure, $10.4 billion.

" '86 was quite a year," said Frederick L.A. Grauer, Wells Fargo president. Asked the reason for the firm's success, he said, "I think the market has voted."

Wells Fargo has met the tax-exempt market's demand for index funds, which outperform a majority of actively managed portfolios and also carry lower transaction costs and lower management fees than active strategies, Mr. Grauer said.

While Wells Fargo's fees are lower than those of active managers, it has not put in additional discounts to attract business, he added.

Commitments to stock index funds slowed in the second half of 1986, indicating that perhaps the demand for traditional index funds, like those tracking the Standard & Poor's 500 stock index, has been met. However, customized stock index funds and various types of bond index funds apparently still are in great demand.

"I think the major area of growth in '87 will be bond indexing," Mr. Grauer said.

As to portfolio insurance, he said it has been popular because pension executives see it as a means of controlling the distribution of their returns. It also can allow them to change their asset allocation, perhaps increasing their percentage in stocks. "It's certainly one more tool and a fine, powerful tool," he said.

Wells Fargo offers portfolio insurance as a licensee of Leland O'Brien Rubinstein Associates Inc., Los Angeles.

Coming in second was Aetna Life & Casualty Co., Hartford, Conn., with $14.1 billion. Aetna listed $5.9 billion of the increase as market gain, but it also was buoyed by $1.2 billion in GICs, $1.2 billion in domestic equities and $511 million in real estate. It placed in the top 10 in each of these categories.

*Continued on page 42*

## Net dollar gain

### Top 10 managers over $1 billion

| Company | $ mils. |
|---|---|
| Wells Fargo Invest., San Francisco | 25,783 |
| Aetna Life & Casualty, Hartford, Conn. | 14,122 |
| State Street Bank, Boston | 11,900 |
| J.P. Morgan Mgmt., New York | 7,634 |
| Prudential Asset Mgmt., Newark, N.J. | 7,452 |
| Mellon Capital Mgmt., San Francisco | 6,500 |
| Bankers Trust—Invest. Mgmt., New York | 6,423 |
| Alliance Capital Mgmt., New York | 4,598 |
| RepublicBank Dallas | 3,835 |
| Boston Co., Boston | 2,916 |

### Top 10 managers $250 mil. to $1 bil.

| Company | $ mils. |
|---|---|
| Hahn Holland & Grossman, Chicago | 475 |
| Axe-Houghton Mgmt., Tarrytown, N.Y. | 451 |
| Merganser Capital Mgmt., Cambridge, Mass. | 415 |
| Eagle Asset Mgmt., St. Petersburg, Fla. | 327 |
| Renaissance Investment Mgmt., Cincinnati | 326 |
| Wolf Webb Burk & Campbell, Philadelphia | 325 |
| Nicholas-Applegate Capital, San Diego | 324 |
| Jones Lang Wootton Realty,New York | 300 |
| Advanced Investment Mgmt., Pittsburgh | 280 |
| Bank of California, San Francisco | 278 |

### Top 10 managers under $250 million

| Company | $ mils. |
|---|---|
| Paribas Asset Mgmt., New York | 146 |
| PMRealty Advisors, Newport Beach, Calif. | 91 |
| Wedge Capital Mgmt., Charlotte, N.C. | 90 |
| Crabbe-Huson Co., Portland, Ore. | 74 |
| Farmer & Lang Inc., Atlanta | 74 |
| Anchor Capital Advisors, Boston | 70 |
| Ariel Capital Mgmt., Chicago | 67 |
| E.M.G. Advisors, Fairfield, Conn. | 62 |
| P.E. Becker, Portland, Ore. | 62 |
| Tukman Capital Mgmt., Larkspur, Calif. | 60 |

## *Firms use a variety of strategies*

# Funds hire active bond managers

**By Brian Lehrer**

Bond index funds were a client magnet for a few large managers in 1986, but most bond managers relied on a variety of active strategies to attract business.

Among firms with more than $1 billion under management, the ones with the largest net gain in tax-exempt fixed-income assets were Bankers Trust — Investment Management Group, New York; The Vanguard Group of Investment Cos. Inc., Valley Forge, Pa.; and Wells Fargo Investment Advisors, San Francisco.

Figures are gleaned from responses to a *Pensions & Investment Age* Scorecard questionnaire covering Jan. 1 to Dec. 1, 1986.

Bankers Trust employed active and passive strategies as it wooed $3.61 billion in new fixed-income business in 1986.

Its active strategy focuses on choosing the most attractive sectors and issues, said Win Neuger, senior vice president and managing director of fixed income. "The market is recognizing that other investment styles are attractive besides interest rate anticipation," Mr. Neuger said, explaining Bankers Trust's success.

Of the total, the firm reeled in $1.43 billion worth of index business. Indexes tracked include the Shearson Lehman Government/Corporate bond index, the Salomon Brothers Broad Investment Grade Bond Index and various customized indexes, Mr. Neuger said.

Bankers Trust listed 10 new fixed-income clients, but asked none be identified.

Respondents were asked to list clients and were permitted to stipulate some or all client names not be published. Those not listing any client names were not ranked.

Mutual fund manager Vanguard finished second overall in the fixed-income rankings, picking up $2.417 billion, including individual accounts. Of the total, $870 million came from 65 institutional tax-exempt clients.

Vanguard's bond portfolio comprises five active, "but not superactive" funds, said Jon Bogle, chairman. They cover Government National Mortgage Association securities; investment-grade bonds; high-yield bonds; short-term bonds; and Treasury bonds.

"We take a focused approach," he said describing Vanguard's philosophy, "by allowing the client to choose what portfolio he wants to be in."

The firm stresses yields with low operating fees. Vanguard's expense ratio, the measure of expenses as a percentage of assets, is only 0.41%, Mr Bogle said. Most mutual fund managers will charge 0.9%, he said.

Wells Fargo scooped up $2.036 billion worth of new business in 1986 with a passive strategy that centers entirely on indexing.

The firm tracks the Shearson Lehman and Salomon BIG indexes as well as enhanced subindexes, said Thomas Middleton, vice president of client relations and marketing.

Mr. Middleton credited indexing's propensity toward bettering active bond styles for Wells Fargo's windfall of new clients.

In addition, he said the firm has added two staff members in anticipation of a strong year in 1987.

Eric Clothier, formerly of Mellon Bank, Pittsburgh, and Tom Cooper, formerly of State Street, were hired at the end of 1986, Mr. Middleton said. Mr. Clothier will be a bond index trader and fixed-income manager. Mr. Cooper will be a deputy manager of fixed-income specializing in customized funds.

"It is our desire to be a leader in the development of enhanced index funds," Mr. Middleton said.

Among Wells Fargo's 12 new fixed-income clients are Federal Paperboard Co. Inc., Montvale, N.J.; National Intergroup Inc., Pittsburgh; SEI Corp., Wayne, Pa.; and Burns and Roe Inc., Oradell, N.J.

Ranking sixth this year was State Street Bank and Trust Co., Boston. It attracted $1.33 billion in 1986 "mostly offering index-type funds," said Harry Sterling, director of marketing for asset management services.

The strategy focuses on the Shearson Lehman Government/Corporate index, but Mr. Sterling said State Street does not have tunnel vision.

"We have the capability to index any subset of that universe, and we can also track the Salomon Brothers (BIG) index, but we have not really used it," he said.

Mr. Sterling said the mushrooming interest in bond indexing and the fact that State Street has been a pioneer in that field account for its new asset gains, although the firm asked the names of its two new fixed-income clients not be published.

Among the medium-size firms, those with $250 million to $1 billion under management, a variety of active styles drew new clients. Some of the leading firms in this group were Magten Asset Management Corp., New York; Smith Affiliated Capital Corp., New York; Wolf, Webb, Burk & Campbell Inc., Philadelphia; and Weaver C. Barksdale & Associates, Brentwood, Tenn.

Among small firms, those with less than $250 million under management, some of the largest gainers were E.M.G. Advisors, Fairfield, Conn.; Maryland National Bank, Baltimore; and Mutual Service Life Insurance Co., Arden Hills, Minn.

Magten employed its specialized active strategy to grab $175 million worth of new business in 1986, second in its asset category.

The firm looks for value in the low end of the fixed-income market, said Talton Embry, president.

"We've been successful because we have a differentiated product that has performed well," he said.

Three of its four new clients are

*Continued on page 42*

## Most new fixed-income business (net)

Top 10 managers over $1 billion

| Company | $ mils. |
|---|---|
| Bankers Trust—Invest. Mgmt., New York | 3,614 |
| Vanguard Group, Valley Forge, Pa. | 2,417 |
| Wells Fargo Invest. Advisors, San Francisco | 2,036 |
| J.P. Morgan Invest. Mgmt., New York | 1,801 |
| Investment Advisers, Minneapolis | 1,400 |
| State Street Bank, Boston | 1,330 |
| Fischer, Francis, Trees & Watts, New York | 1,250 |
| Citicorp Invest. Mgmt., New York | 790 |
| Loomis, Sayles & Co., Boston | 743 |
| Morgan Stanley Asset Mgmt., New York | 656 |

Top 10 managers $250 mil. to $1 bil.

| Company | $ mils. |
|---|---|
| Merganser Capital Mgmt., Cambridge, Mass. | 383 |
| Magten Asset Mgmt., New York | 175 |
| Smith Affiliated Capital, New York | 123 |
| Wolf Webb Burk & Campbell, Philadelphia | 108 |
| Weaver C. Barksdale & Assoc., Brentwood, Tenn. | 82 |
| Bradford & Marzec, Los Angeles | 81 |
| Marine Investment Mgmt., Springfield, Ill. | 71 |
| Portfolio Group, New York | 43 |
| Prescott Asset Mgmt., New York | 41 |
| Colorado National Asset Mgmt., Denver | 25 |

Top 10 managers under $250 million

| Company | $ mils. |
|---|---|
| E.M.G. Advisors, Fairfield, Conn. | 62 |
| Maryland National Bank, Baltimore | 15 |
| Mutual Service Life Insurance, St. Paul, Minn. | 15 |
| Ballard, Biehl & Kaiser, San Mateo, Calif. | 11 |
| Heartland Capital Mgmt., Indianapolis | 5 |
| Qualified Counseling, Rochester, N.Y. | 5 |
| New Mexico Capital Mgmt., Albuquerque | 4 |
| Steven A. Noroian & Assoc., San Francisco | 4 |
| Glass Austin & Calvert, San Antonio, Texas | 3 |
| Schaenen Wood & Associates, New York | 3 |

# Money managers that buy GICs show strong gains

**By Trudy Ring**

Money management firms that buy guaranteed investment contracts on behalf of their clients are becoming increasingly important in the GIC business.

Two of those firms are in the top 10 in new GIC business in 1986, according to *Pensions & Investment Age*'s Scorecard survey. The others are the insurance companies that write the GICs.

PRIMCO Capital Management Inc., Louisville, Ky., was third among survey respondents with $1.4 billion in new GIC business. It was ninth last year, with $400 million in new GIC business.

Morley Capital Management Inc., Lake Oswego, Ore., was sixth with $770 million in new GIC business. It did not appear in the top 10 last year.

Both firms buy GICs on behalf of their clients. Traditionally, most pension funds have bought the contracts directly from insurers. But PRIMCO and Morley officials said there is added value in their services.

"We view ourselves as a specialty fixed-income manager and our specific class of assets is GICs," said John Monahan, principal of PRIMCO.

A firm like PRIMCO can help a pension plan improve returns on GICs by deciding when to buy the contracts, Mr. Monahan said. "Any decision to make a purchase on a certain date is making a major interest rate bet," he said. "In today's environment, with lower interest rates, every basis point counts."

Both PRIMCO and Morley follow more than 40 insurance companies, a task few pension funds are able to do internally, officials of the firms said.

"We are basically trying to help plan sponsors use GICs as a true investment asset, rather than something they just buy from an insurance company," said Larry Mylnechuk, senior vice president of Morley.

Morley also is offering open-end pooled GIC funds for banks to offer to their pension fund clients, he said.

PRIMCO's 23 new clients included Crown Zellerbach Corp., San Francisco; Occidental Petroleum Corp., Los Angeles; Scott Paper Co., Philadelphia; and the Milwaukee City Employes' Retirement System. Morley's 10 new clients included MidCon Corp., Lombard, Ill; Graphic Communications International Union, Washington; and Occidental Petroleum.

Eight insurance companies joined PRIMCO and Morley in the top 10 GIC firms. As PRIMCO and Morley buy the contracts from major insurers, there may be some double-counting of assets in the top 10.

Leading the pack, as it did the previous year, was Prudential Asset Management Group, Newark, N.J with nearly $7.2 billion in new GIC business.

In 1985, Prudential had $4.3 billion in net sales. Bob Chmely, president, attributed the increase to an expansion of the GIC market, as well as some annuity sales, which Prudential included in the GIC figure. Also, some of the growth represented reinvestment of the proceeds of maturing contracts, he said.

Prudential's hold on the GIC market is largely because of its reputation and the expertise of its sales force, Mr. Chmely said. "When (a pension fund) has a Prudential GIC, it means something to the participants," he said.

Prudential listed 50 new GIC clients, including National Rural Electric Cooperative Association, Washington; North American Philips Corp., New York; and Procter & Gamble Co., Cincinnati.

The Travelers Cos., Hartford, Conn., came in second with $1.6 billion. "We're very aggressive in that business," said Tom Willison, vice president-asset management and pension services.

Travelers already has a good market position in GICs, so many pension executives think of Travelers when in the market for contracts, Mr. Willison said. Also, Travelers' sales force is distributed well geographically and has contacts at major corporations, he said. Also, consultants know and respect Travelers, he said.

Travelers provided client names on the condition that none be published. Respondents were given the option of doing this, but those that did not provide any client names were not ranked.

Provident National Assurance Co., Chattanooga, Tenn., ranked fourth with $1.3 billion. "Unlike a lot of the companies, the GIC is our primary product," said Win Profio, vice president-marketing. He attributed Provident National's success primarily to its aggressive sales force and skilled underwriters.

Provident National provided client names on the condition none be published.

Aetna Life & Casualty Co., Hartford, was fifth with $1.2 billion. Aetna's ability to be in the GIC market at all times buoyed its business, said T. Jerald Moore, vice president.

Aetna chose to provide new business figures for Jan. 1 through Sept. 30, while the other managers gave figures for

*Continued on page 43*

## Most new GIC business (net)

| Company | $ mils. |
|---|---|
| Prudential Asset Mgmt., Newark, N.J. | 7,186 |
| Travelers Cos., Hartford, Conn. | 1,610 |
| PRIMCO Capital Mgmt., Louisville, Ky. | 1,400 |
| Provident Nat'l Assurance, Chattanooga, Tenn. | 1,316 |
| Aetna Life & Casualty, Hartford, Conn. | 1,248 |
| Morley Capital Mgmt., Lake Oswego, Ore. | 770 |
| Principal Mutual Life, Des Moines | 695 |
| The New England, Boston | 452 |
| MONY Financial Services, New York | 434 |
| Pacific Mutual Life, Newport Beach, Calif. | 419 |

# Real Estate

## 10 managers rake in $4.1 billion in '86

By Steve Hemmerick

Ten of 36 real estate investment managers got about 67.8%, or $4.107 billion, of the $6.065 billion allocated to equity real estate during 1986, as measured by the *Pensions & Investment Age* Scorecard survey.

The Scorecard figures support consultants' beliefs that pension plan executives are picking well-known names for investment management and prefer advisory firms at which the owner/operators have an equity stake in the firm.

All of the managers making the Scorecard top 10 were well-established names in the business.

And nine of 10 that received the most new business in 1986 were advisory firms, rather than banks or insurance companies.

Insurance companies once dominated the business with open-end funds. Now, investors are increasingly moving to more specialized real estate investment firms that offer closed-end funds or separate accounts.

The only insurance company making the top 10 was Aetna Life & Casualty, Hartford, Conn., which placed third, helped by the 1986 closing of a $200 million closed-end apartment development fund. It received $511 million in 1986.

Pat Bowerman, a vice president with Aetna, said Aetna's offering of more closed-end and specialty fund real estate products than other insurance companies might have helped it make the top 10.

Heitman Advisory Group, Chicago, led the firms with $900 million in new assets. It was followed by Copley Real Estate Advisors, Boston, with $775 million.

For nine of the top 10 in aggregate, most of the assets received went to either separate accounts, $2.177 billion, or closed-end commingled funds, $1.691 billion, according to officials.

About 11% of the assets for the top 10 funds went into the less-popular open-end funds: $300 million to Aetna and $196 million with Copley's Development Properties Account.

There was also more money invested this year, as the top 10 firms reported receiving about $800 million more in assets than did the top 10 firms last year.

Other firms making the top 10 this year are: TCW Realty Advisors, Los Angeles, $317 million; Richard Ellis Inc., New York, $301 million; Jones Lang Wootton Realty Advisors, New York, $300 million; JMB Institutional Realty, Chicago, $261 million; J.W. O'Connor & Co., New York, $260 million; Eastdil Realty Inc., New York, $243 million; and LaSalle Advisors Inc., Chicago, $239 million.

Only one firm that was on last year's real estate Scorecard didn't make a return appearance: Boston Co., Inc., Boston. It was replaced by LaSalle.

All of the firms interviewed — LaSalle officials weren't available — reported doing all or part of in-house property management and leasing, which attract pension executives. In-house property management helps cut costs and keep up property while in-house leasing is critical because managers buy out tenant leases that are below market rental rates and make other moves to increase return on properties.

But entrepreneurial or employee-owned business may be a more important factor in getting new business. "Pension sponsors basically like that," said William Ramseyer, president of San Francisco-based Pension Realty Advisors.

"Sponsors like to see the service people as basically stake holders," he said. The theory is that employees will work harder, stay longer and increase profits when they can share in their productivity, he explained.

TCW Realty had the most named clients with 21, including Brunswick Corp., Skokie, Ill.; Duke Power, Co., Charlotte, N.C.; General Signal Corp., Stamford, Conn.; and Hallmark Cards Inc., Kansas City, Mo.

Copley named 11 major new clients, including Alameda County Employees' Retirement Association, Oakland, Calif.; Centel Corp., Chicago; and Dallas Employees' Retirement Fund. In addition, it reported, but did not list, 28 other tax-exempt funds as clients.

Heitman reported among its new clients in 1986: Pennsylvania State Employees' Retirement System, Harrisburg; Kellogg Co., Battle Creek, Mich.; Southwestern Bell Corp., St. Louis; and Fresno County (Calif.) Employees' Retirement Association.

J.W. O'Connor reported as new clients: U S WEST, Denver; Ford Foundation, New York; Burlington Northern Inc., Seattle; and Oregon Public Employes' Retirement System, Salem.

Aetna Life reported General Motors Corp., New York, as a new client.

JMB's new clients in 1986 included New Castle County Employees' Pension Program, Wilmington, Del.; Southwestern Public Service Co., Amarillo, Texas; Houston Retirement System; and CF Industries Inc., Long Grove, Ill. ■

**Most new real estate equity business (net)**

| Company | $ mils. |
|---|---|
| Heitman Advisory Corp.,Chicago | 900 |
| Copley Real Estate Advisors, Boston | 775 |
| Aetna Life & Casualty, Hartford, Conn. | 511 |
| TCW Realty Advisors, Los Angeles | 317 |
| Richard Ellis, Chicago | 301 |
| Jones Lang Wootton Realty, New York | 300 |
| JMB Institutional Realty, Chicago | 261 |
| J.W. O'Connor & Co., New York | 260 |
| Eastdil Realty, New York | 243 |
| La Salle Advisors, Chicago | 239 |

## RREEF property sold off; tops S&P

By Steve Hemmerick

CHICAGO — Officials of The RREEF Funds have sold all of the properties in what they say was the first closed-end real estate fund, garnering a return in an 11-year holding period that bettered the skyrocketing Standard & Poor's 500 stock index.

Stanislaw Maliszewski, a principal in RREEF's Chicago office, said the properties that were purchased for $27 million in RREEF West I have been sold for about $60 million to provide a 16.79% compound annual return.

For the holding period, 1975 through 1986, the 16.79% return beat RREEF's calculations of the S&P 500 return of 13.84% and the Shearson Lehman Government/Corporate bond index return of 10.4% return, he said.

Adjusted for inflation, the closed-end fund had a return of 10.19%.

RREEF officials said the sale is important because it demonstrates equity real estate can compete with stock returns.

Also, some investors have been worried about the sale of real estate when so many office markets across the United States are overbuilt.

Unlike open-end funds, closed-end funds have a seven- to 10-year holding period, and the West 1 fund is one of the first large closed-end funds to be sold since pension funds began investing in them in the mid-1970s.

*Point West Plaza, a two-story office building in Sacramento, Calif., was one of the holdings in the RREEF Fund's first closed-end real estate fund. The portfolio was liquidated recently, providing a 16.79% annual rate of return to investors during its 11-year lifetime.*

The holding period could have been extended for a few more years, but investors voted to sell partly because they wanted to see how the appraised values held up. Mr. Maliszewski said the 12 properties in the fund sold for slightly more than appraised value, but he wouldn't say by how much.

Ten of the 12 properties were sold last month, only five weeks after they went on the market, to Santa Fe Pacific Realty Corp., a real estate division of Santa Fe Southern Pacific Corp., Chicago. Santa Fe was one of 12 bidders.

"One of the interesting things about the sale was we wanted to decide whether we should sell the properties individually or as a package. We determined that all of the properties but two, which had their own peculiarities, could be sold as a package," said Mr. Maliszewski.

One was excluded from the package because space was being re-leased, he said. Of the two, one has been sold and the other is in the process of closing.

Basically, the properties in the fund were located in the Western United States and were well located and well leased, he said. That supports the claim by RREEF officials that the best real estate investments for pension funds are existing properties already leased with tenants and bought for all cash.

Other investors have claimed RREEF's returns would suffer because of the way it buys properties.

RREEF officials, however, view the sale as a demonstration of the validity of their investment approach.

Six pension funds had invested in the fund, which had about 40% of its assets in shopping centers, 18% in business parks, 29% in low-rise garden office buildings, 8% in industrial properties and 5% in office buildings. RREEF officials would not disclose the investors' names. ■

## Wrap-up

### Interest still there

SAN FRANCISCO — Some pension fund executives are optimistic about investing in what others are describing as a disastrous equity real estate market that will only get worse before getting better.

Bob Wysocki, manager of financial operations and investment management for NYNEX Corp., New York, and manager of that company's $10 billion pension plan, said NYNEX officials are selectively looking for real estate investment opportunities in the current market.

Speaking at the winter conference of the Pension Real Estate Association in San Francisco, Mr. Wysocki said "our timing is reasonable" concerning investment in real estate. Real estate certainly is not at the top, though it may not be at the bottom of the cycle, he added.

He said his fund has hired some separate account managers, though he did not name them. *Pensions & Investment Age* has identified them as Aldrich Eastman & Waltch, Boston; Heitman Advisory Corp., Chicago; and John McMahan Associates, San Francisco.

He did not discuss NYNEX's holdings in the Telephone Real Estate Equity Trust, a $4 billion wasting trust set up by American Telephone and Telegraph Co.

Thomas M. McMahon, vice president for finance and administration of the Pacific Maritime Association in San Francisco, voiced some doubt that media descriptions of a worsening real estate market should scare investors out of that market.

He recalled that, in 1975, when New York faced a serious finan-

*Continued on page 14*

# Futures & options

## Wells Fargo gets most new business in dynamic hedging

By Trudy Ring

The nation's biggest passive investment firm made a major inroad into the dynamic hedging market in 1986.

Wells Fargo Investment Advisors, San Francisco, was the leading gainer of new business for dynamic hedging, also known as portfolio insurance, through Dec. 1, according to *Pensions & Investment Age*'s Scorecard survey.

Wells Fargo, with more than $55 billion under management, most of that in index funds, gained $7.5 billion in assets to be hedged dynamically.

Dynamic hedging involves the selling of futures against a portfolio to limit the portfolio's loss to a pre-specified level in down markets.

If the market rises again, the futures contracts may have to be bought back.

"What makes for good indexation also makes for good portfolio insurance management," said Frederick L.A. Grauer, president of Wells Fargo, explaining the firm's success in attracting clients.

Index funds must be managed within narrow boundaries to replicate an index precisely, and portfolio insurance also must be managed with precision to produce the degree of protection desired by the client at the lowest possible cost, he said.

"Our ability to manage a hedge within fine tolerances and at low cost is second to none," Mr. Grauer said.

Wells Fargo's new dynamic hedging clients include the $2.4 billion Illinois State Universities' Retirement System, Champaign, which is applying the strategy to all its marketable securities, valued at $2.1 billion.

Wells Fargo uses the dynamic hedging technology developed by Leland O'Brien Rubinstein Associates Inc., Los Angeles, another leading firm in this field. LOR does not appear in the Scorecard because the firm did not respond to *P&I Age*'s questionnaire.

Had Leland O'Brien Rubinstein participated, it would have shown $2.5 billion in new assets directly under management and another $20 billion under management through licensees such as Wells Fargo, said Larry Edwards, president.

Another LOR licensee appearing in the top 10 for portfolio insurance is BEA Associates Inc., New York, with $309 million in new business.

*Continued on page 32*

### Most new business portfolio insurance

| Company | $ mils. |
|---|---|
| Wells Fargo Investment, San Francisco | 7,505 |
| Bankers Trust—Invest. Mgmt., New York | 2,083 |
| Skye Investment Advisors*, Cupertino, Calif. | 840 |
| RepublicBank Dallas, Texas | 800 |
| Oppenheimer Capital, New York | 425 |
| BEA Associates, New York | 309 |
| Advanced Investment Mgmt. Inc., Pittsburgh | 205 |
| Northern Trust Co., Chicago | 120 |
| J.P. Morgan Investment Mgmt., New York | 115 |
| Boston Co., Mass. | 100 |
| Citicorp Investment Mgmt., New York | 100 |

* Provides portfolio insurance for RepublicBank, Dallas

## Methods' use up 40%

### Futures, options gain among top 200

By Trudy Ring

Futures and options continued to gain acceptance among the nation's top 200 pension funds in 1986.

According to *Pensions & Investment Age*'s survey of the top 200, 63 were using stock index futures as of Sept. 30, a 40% increase from the 45 a year earlier. Forty-six pension funds used fixed-income futures, up 39% from the the previous year.

Stock options users rose to 62 users from 49, a rise of 26.5%, while 22 used bond options, up from 18 a year earlier, a rise of 22.2%.

Several of the funds use derivative products in dynamic hedging, which became a popular strategy during the year. According to the survey, 18 of the 200 largest pension funds use this strategy *(P&I Age*, Jan. 26), which uses the derivative markets to hold portfolio values to a predetermined level in declining markets.

However, some of the funds using dynamic hedging also implemented other futures and options strategies in 1986.

The $1.9 billion Conoco Inc. pension fund, Wilmington, Del., and the $1.4 billion Bechtel Power Corp. fund, San Francisco, use futures in the three-way asset allocation strategy run by Wells Fargo Investment Advisors, San Francisco.

The strategy allows Wells Fargo to shift assets among a Standard & Poor's 500 stock index fund, long Treasury bonds and cash. The manager may use futures to make the shifts.

"It seemed like every time, they've outperformed those three asset classes," said Lu Jones, Conoco coordinator-pension investments, explaining why the fund went into the strategy. Neither Conoco nor Bechtel divulged the amount invested in three-way asset allocation.

All Conoco's equity and bond managers have permission to use derivatives, Ms. Jones added.

Bechtel recently granted Wells Fargo permission to use futures in an arbitrage program with a stock index fund, said James Rhodes, senior vice president of Sierra Asset Management, San Francisco, Bechtel's investment subsidiary.

The $1.2 billion State of Delaware Retirement Funds, Dover, gave Wells Fargo and Mellon Capital Management Corp., San Francisco, permission to use futures in accounts that allocate assets between stock and bond index funds, said Bruce Kallos, chairman-investment committee. "We're taking advantage of some mispricings," he said.

The nearly $1.2 billion Milwaukee City Employes' Retirement System started an options buy-write program in the second quarter of 1986. Loewi Asset Management, Milwaukee, is running $3 million in this pilot program, said Robert G. Nehls, secretary and executive director of the fund.

"We're closely monitoring it to see what incremental return it will produce and what downside protection it will produce," he said. The fund and its consultant, SEI Funds Evaluation Services, Chicago, will review the results at midyear and decide whether to continue the program.

Some pension executives view futures and options investments not as distinct programs, but as tools to be used by their money managers when necessary. "We just turned a manager loose," said William H.S. Preece Jr., director-corporate finance at the $1.8 billion Dart & Kraft Inc. pension fund, Northbrook, Ill. The survey was taken before the company split into two units.

"Some of our managers sometimes have used them to, basically, hedge our positions," said Sunny Oberoi, director-pension fund management Pacific Gas & Electric Co., San Francisco, which has $3.2 billion in pension assets. "It's very rare that they use them."

While many funds among the top 200 initiated futures or options programs in 1986, a few terminated them. One was the $5.8 billion Shell Oil Co. pension fund, Houston, which ended an options overwriting program *(P&I Age*, July 21). Shell officials declined to detail reasons for ending the program.

The $5 billion Allied-Signal Inc. pension fund, Morristown, N.J., also discontinued an options overwriting program in 1986. "There was little incremental value relative to the overall fund's size," said Edward T. Tokar Jr., vice president-investments. It had been used on a small portion of a stock index fund. ■

*James Rhodes, of Sierra Asset Management, left, and William H.S. Preece Jr., of the former Dart & Kraft Inc., are among pension executives allowing money managers to use futures and options.*

## Notes

### Derivative use listed

GREENWICH, Conn. — Use of futures and options by corporate and public pension funds likely will grow in 1987, according to reports by Greenwich Associates.

The most growth is expected to be in dynamic hedging, a specialized futures program also known as portfolio insurance.

Of the more than 1,000 corporate pension funds surveyed by the consulting firm, 11% plan to start using portfolio insurance in 1987; 6% used it in 1986.

Another 6% of the corporate funds will start using other financial futures programs in 1987, the report said. Thirteen percent used these strategies in 1986.

Growth of options use was expected to be slower; 4% of the corporate funds will begin writing options in 1987, the report said, with 11% already doing so in 1986.

Among the 370 public pension funds surveyed by Greenwich, use of portfolio insurance is expected to double. Five percent of the funds surveyed used this strategy in 1986; an additional 5% plan to add it in 1987.

Use of other futures strategies also is expected to double, to 12% from 6%. Use of option writing, already employed by 18% of the funds, is expected to rise by six percentage points.

### Higher costs seen

NEW YORK — The actual cost of portfolio insurance in 1986 will prove to be much higher than expected, predicts Louis I. Margolis, managing director of Salomon Brothers Inc., New York.

"The cost of portfolio insurance will be higher in 1986 than everyone expected and people will be disappointed," Mr. Margolis told a conference on quantitative investment management hosted by the Institute for International Research.

He explained the higher costs would result from the different market circumstances. He said that during 1984 and 1985, the cost of portfolio insurance was lower because volatility in the market was increasing and futures contracts were overvalued.

"One of the ways you control your costs of your exposure in the stock market is using stock index futures, which is less costly than actual stocks. The mispricing of futures contracts increases or decreases those costs. In 1984 and 1985 . . . volatility was increasing and contracts were overvalued and people benefited. So peoples' actual experience in 1984 and 1985 probably was better than could reasonably have been expected," he said.

Mr. Margolis warned people who began using portfolio insurance during 1984-'85 will find the cost of pursuing portfolio insurance programs in 1986 will be higher. "The difference in experience is a fairly wide spread," he said.

Another cost issue Mr. Margolis expects more people to become "sensitized" to in 1987 is opportunity cost.

He said money managers used to be mostly concerned about trading costs, especially commis-

*Continued on page 32*

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# Wells Fargo . . .

*Continued from page 31*

The remaining firms among the top 10 use other technologies for dynamic hedging.

Bankers Trust Co. — Investment Management Group, New York, developed its own computer model and has been in the portfolio insurance business since 1981. "We think there are some subtleties in the model which are really nice," said Kathy Condon, senior vice president.

Because Bankers Trust is not strictly a hedging manager, it often runs some of the hedge clients' assets, rather than just overwriting them. Some of the hedge clients have set up index funds with Bankers Trust, allowing the manager the flexibility to sell stocks rather than futures when futures are undervalued, Ms. Condon said.

Bankers Trust got nearly $2.1 billion in new portfolio insurance business.

Skye Investment Advisors Inc., Cupertino, Calif., developed its own model and uses it to do hedging for another top 10 firm, RepublicBank Dallas, as well as for direct clients and for Massachusetts Mutual Life Insurance Co., Springfield. The $840 million in new portfolio insurance assets listed by Skye include the accounts managed for those companies; RepublicBank's total was $800 million.

"Our model is based on very strong mathematical theorems," said Manit Rye, vice chairman of Skye. He said Skye officials believe their model is more accurate than some others.

Oppenheimer Capital Corp., New York, developed its model based on experience in the options market. "Portfolio insurance is basically an options product," said Eugene Brody, director of options management, noting portfolio insurers use futures to create a synthetic put option on an entire portfolio.

"We've incorporated what we've learned in the trenches into our portfolio insurance program and we're not as academic as some of the others," Mr. Brody said.

Oppenheimer makes smaller adjustments in its hedge ratio than do some other dynamic hedgers and also will sell fewer futures when they are at discounts and buy more when they are at premiums, he said. "We are making a trade-off between imperfect replication and transaction costs," he said.

Oppenheimer listed $425 million in new dynamic hedging business.

Advanced Investment Management Inc., Pittsburgh, uses its own software to hedge accounts that came in, for the most part, because clients thought they would get better service from Advanced than from some of the larger portfolio insurance providers, said J. Thomas Allen, president.

"We tend to be pretty close to our client base," he said. "We'll design (the hedging program) any way they want it." Advanced listed $205 million in new dynamic hedging business.

Rounding out the leading gainers in portfolio insurance business in 1986 are Northern Trust Co., Chicago, eighth with $120 million; J.P. Morgan Investment Management Inc., New York, ninth with $115 million; and The Boston Co., Boston, and Citicorp Investment Management, New York, tied for 10th with $100 million each.

Portfolio insurance managers said the popularity of the strategy is explained easily. "It's such a useful tool to control the volatility of an asset," Skye's Mr. Rye said. ■

## Notes

*Continued from page 31*

sions. Then as people got more sophisticated, they worried about the bid-ask spread and liquidity premiums.

"People always raise the question, why are more and more active managers doing trading in packaged formats in a short period of time? The reason is that people are trying to contain these opportunity costs, the one that got away, by executing packaged trades in a short time frame."

Mr. Margolis also said interest in derivative products is keen.

### New fund offered

NEW YORK — Oppenheimer Capital Corp. is getting set to launch a dual-purpose mutual fund that may be the first to include portfolio insurance and options writing overlays in its investment strategy.

The QFV Dual Purpose Fund will be Oppenheimer Capital's third mutual fund.

It is part of an effort to build a family of funds since its parent, Oppenheimer & Co. L.P., went private in a management buy-out last year.

Through its mutual fund subsidiary, QFV Advisors Inc., Oppenheimer already runs the Quest for Value fund, its flagship, and a cash management trust.

"The appeal of the dual-purpose concept is that it offers a means of appealing to specific investor interests through a single investment vehicle," said Joseph La Motta, president of the fund and Oppenheimer.

Oppenheimer, which now uses portfolio insurance on about $1 billion in separate account assets, will launch the portfolio-insured fund at a time when the strategy has gained tremendous popularity among investors.

It is estimated portfolio insurance is used on some $60 billion in assets. About a year ago that figure was estimated at $4 billion.

As investment adviser, Oppenheimer will manage fund assets through the value-oriented approach used for many of its more than $9 billion in tax-exempt and individual accounts.

However, the fund's dual objectives — long-term capital appreciation and preservation of capital as well as current and long-term income growth — will be represented through two types of stock: capital, or common, shares and income or preferred shares.

A public offering of the new closed-end fund was scheduled for late January or early February and includes at least 2 million shares each of capital and income shares. Both classes have been priced at $12.50 a share.

Mr. La Motta said the fund is registered to raise as much as $100 million from institutional and individual investors.

The dual-purpose structure offers investors built-in leverage without incurring the risks of typical leveraging strategies, such as buying on margin.

That's because the capital and income shares initially will each represent 50% of fund assets, while each will receive 100% of the fund's capital appreciation and income respectively.

Thus for every $1 invested, capital shareholders earn capital appreciation on $2 of initial assets, while income shareholders get income earned on $2 of assets.

The leveraging also can magnify the risks of capital depreciation.

According to the preliminary prospectus, the financial leveraging means capital shares of the fund may show greater price volatility than non-leveraged investment funds generally.

Oppenheimer will seek to control these downside risks as well as provide potential for generating additional incremental income through the use of portfolio insurance and options overwriting.

### Trading increases

Trading of most financial futures and options instruments increased in 1986, according to leading exchanges.

Activity in Standard & Poor's 100 and 500 stock index options paced the Chicago Board Options Exchange to record volume of 180.3 million contracts, up 21.2% from 1985's 148.8 million total.

Trading in the S&P 100 option amounted to 113.1 million contracts, up 24.6% from 1985's 90.8 million total. The S&P 500 option, revamped last year, had 1.6 million contracts traded, more than a 200-fold increase from 1985, when only 7,762 were traded.

Individual stock options traded on the options exchange had their first volume increase since the introduction of index options in 1983. Volume rose to 64.7 million, up 12.5% from the 57.5 million traded in 1985.

Twelve individual contracts set records on the way to the Chicago Mercantile Exchange's record volume of 68.7 million, up 21.6% from 1985's total of 56.5 million.

Leading the way were S&P 500 stock index futures, whose 19.5 million total volume was a 30% increase from 1985's total of 15 million. Options on S&P 500 futures, four currency futures and four options on currency futures also set records at the Mercantile.

Interest rate futures and options on futures led volume gainers at the Chicago Board of Trade, which had record volume of 100.8 million contracts, up 20.3% from 1985's 83.8 million.

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# Equity . . .

*Continued from page 3*

Mr. Bastin described Paribas as a highly quantitative firm, like several other small and medium-size firms that ranked high in the survey. Firms are considered medium if they have $250 million to $1 billion under management.

The firm that ranked second in the small category, Wedge Capital Management Inc., Charlotte, N.C., has a strategy based about 75% on quantitative analysis and 25% on more subjective judgments derived from that research, said Richard Hodde, executive vice president.

"We take a very conservative, disciplined approach to investing," he said. "We use computer models to evaluate individual stocks and the market as a whole."

Wedge had 16 new clients, including L.L. Bean Inc., Freeport, Maine, and Southwire Co., Carrollton, Ga. It had $90 million in new equity assets.

Moran Asset Management Inc., Greenwich, Conn., would have outranked Wedge for second place if it had provided client names. It had $120 million in new equity business. Evans & Moxon Capital Management Inc., Yardley, Pa., would have tied for fifth in the small firm category had it provided client names. It had $67 million in new equity business.

The firms that ranked second and third in the midsize category both are quantitative, while the one that ranked first is an exception to this general trend.

Ranking second was Renaissance Investment Management Inc., Cincinnati, with $280 million. The firm, now 100% invested in equities, uses quantitative techniques to determine when to make moves among equities, bonds and cash, said Frank Terrizzi, president.

Besides being quantitative, Renaissance also is one of only a few firms that provides asset allocation services, a factor that makes it attractive to pension funds, he said.

Renaissance provided client names on the condition none be published.

Ranked third, with $230 million, was Advanced Investment Management Inc., Pittsburgh, a quantitative manager that looks at such factors as price-earnings ratios, dividend discount models and risk levels, said J. Thomas Allen, president.

Many people have a great feel for subjective stock picking, he said, but clients often are more comfortable with managers applying objective, quantitative methods.

New equity clients listed by Advanced include Joy Manufacturing Co., Pittsburgh, and Hershey Foods Corp., Hershey, Pa.

Standing out from the "quants" was Eagle Asset Management Inc., St. Petersburg, Fla., which ranked first in new equity business among medium-size firms, with $327 million. "We feel investing is as much an art as it is a science," said Lincoln Kinnicutt, senior vice president.

Eagle's president, Herbert Ehlers, is not as famous as some other stock pickers, like John Templeton, founder of the Templeton Funds, St. Petersburg, Fla., or Warren Buffett, chairman of Berkshire Hathaway Inc., Omaha, Neb., but he has been successful at it, Mr. Kinnicutt said.

The Eagle staff makes individual stock selections from companies that are healthy and growing, are in easy-to-understand businesses, have recurring income streams, have strong balance sheets and have strong cash flow, Mr. Kinnicutt said.

The eight new clients listed by Eagle include Carolina Mills, Maiden, N.C.; McKee Baking Co., Collegedale, Tenn.; and the Louisiana Teachers' Retirement System, Baton Rouge. ■

## Most new equity business (net)

### Top 10 managers over $1 billion

| Company | $ mils. |
|---|---|
| Wells Fargo Invest. Advisors, San Francisco | 10,683 |
| State Street Bank, Boston | 7,920 |
| Mellon Capital Mgmt., San Francisco | 4,000 |
| Alliance Capital Mgmt., New York | 2,279 |
| Northern Trust Co., Chicago | 1,785 |
| INVESCO Capital Mgmt., Atlanta | 1,400 |
| Aetna Life & Casualty, Hartford, Conn. | 1,195 |
| Bankers Trust—Invest. Mgmt., New York | 1,055 |
| Vanguard Group, Valley Forge, Pa. | 975 |
| Dreman & Embry, New York | 890 |

### Top 10 managers $250 mil. to $1 bil.

| Company | $ mils. |
|---|---|
| Eagle Asset Mgmt., St. Petersburg, Fla. | 327 |
| Renaissance Investment Mgmt., Cincinnati | 280 |
| Advanced Investment Mgmt., Pittsburgh | 230 |
| Nicholas-Applegate Capital, San Diego | 207 |
| Hill Samuel Invest. Advisers, Minneapolis | 185 |
| Columbus Circle Investors, New York | 140 |
| Alpine Capital Mgmt., Denver | 135 |
| Daniel Breen, Houston | 116 |
| Brignoli, Curley & Roberts, New York | 110 |
| Cutler & Co., Medford, Ore. | 100 |

### Top 10 managers under $250 million

| Company | $ mils. |
|---|---|
| Paribas Asset Mgmt., New York | 146 |
| Wedge Capital Mgmt., Charlotte, N.C. | 90 |
| IDS Growth Spectrum Advisors, Minneapolis | 76 |
| Ariel Capital Mgmt., Chicago | 67 |
| Dietche & Field Advisers, New York | 55 |
| Target Investors, Stamford, Conn. | 40 |
| Aronson & Fogler, Philadelphia | 35 |
| Kurtz Capital Mgmt., Livingston, N.J. | 35 |
| Crabbe-Huson Co., Portland, Ore. | 32 |
| Sullivan Morrissey & Mickle, New York | 32 |

# Indexing . . .

*Continued from page 3*

It also had substantial business in an area for which respondents were not ranked — annuity closeouts. Aetna had $4 billion in new business there.

"We have a very broad product line," said T. Jerald Moore, vice president, explaining Aetna's success. Aetna was ranked eighth in Scorecard last year.

Unlike some other large firms that ranked high, Aetna concentrates on active management. An Aetna product that proved popular with clients in 1986 was its discretionary asset management service, which has a large equity component but also allows for moves of money among bonds, cash, real estate and international investments, Mr. Moore said.

Ranked third was another prominent index fund manager, State Street Bank and Trust Co., Boston, with $11.9 billion. State Street reported that $9.4 billion of this was in stock index accounts, including those using futures and foreign stocks. Another $1.25 billion was in bond index funds.

State Street has a large amount in S&P 500 stock index funds, but also uses customized indexes extensively.

Among the top 10 large managers, those with more than $1 billion under management, others with significant index fund business are Mellon Capital Management Corp., San Francisco; Bankers Trust Co. — Investment Management Group and Alliance Capital Management Corp., both of New York; and The Boston Co., Boston. Bankers Trust and Boston Co. have substantial portfolio insurance business, as does another top 10 firm, J.P. Morgan Investment Management Inc., New York.

Among the medium-size firms, $250 million to $1 billion under management, and small ones, less than $250 million under management, the top gainers represented a mixed bag of investment styles.

First in the medium-size category was Hahn Holland & Grossman, Chicago, with $475 million. The firm did not provide figures on how much of that came from equity, fixed-income or balanced accounts. However, most of the firm's accounts are equity only, or balanced with a heavy equity orientation, said Lou Holland, partner.

He described the firm's equity strategy as top-down and risk-averse. Explaining the firm's success, he said, "Our story is relatively simple. We've worked hard and we've told our story."

Ranked second in the midsize category was Axe-Houghton Management Inc., Tarrytown, N.Y., whose $451 million net gain included substantial amounts in index funds. During the year, Axe-Houghton acquired index fund manager Great American Core Investors, also of Tarrytown. The acquisition accounted for $270 million of Axe-Houghton's gain.

Coming in third, with $415 million, was Merganser Capital Management Corp., Cambridge, Mass., an active fixed-income manager.

Paribas Asset Management Inc., New York, led small firms with a net gain of $146 million. Paribas is a highly quantitative equity manager.

PMRealty Advisors Inc., Newport Beach, Calif., came in second with $91 million. As the name implies, it is a real estate manager.

Wedge Capital Management Inc., Charlotte, N.C., an equity manager using quantitative techniques primarily, was third with $90 million.

Two firms would have placed in the top 10 for small managers had they provided client names. Moran Asset Management Inc., Greenwich, Conn., would have been second, with $120 million in new equity business. Evans & Moxon Capital Management Inc., Yardley, Pa., would have been seventh with $67 million in new equity business. ■

# Active . . .

*Continued from page 4*

the National Can Corp., Chicago; General Motors Corp., New York; and Primark Corp., Detroit.

Smith Affiliated Capital placed third among medium-sized firms, gaining $123 million.

"We are aggressive shifters of maturity risk, disciplined by yield curve analysis," said Robert Smith, president, describing the firm's active strategy.

Although the firm is risk averse, it has produced high returns and "that is why we have attracted a good deal of new business," said Dick Dearnley, executive vice president.

Its new fixed-income clients are Medical Inter-Insurance of New Jersey, Lawrenceville; Metromedia Inc., Secaucus, N.J.; Uniroyal Plastics Inc., Stamford, Conn.; and F.W. Woolworth & Co., New York.

An active strategy also works well for Weaver C. Barksdale, as the firm gained $82 million.

Its controlled-risk approach is designed for institutions seeking the added value of active management, without the traditional volatility associated with such techniques, said John McDowell, principal and senior vice president of client relations and marketing.

The strategy's two objectives, high-income yields and consistent returns, have produced a 12.3% annualized return in the past nine years, he said. This compares with the Shearson Lehman Government/Corporate annualized return of 11.3% for the same period.

"We have had only one down quarter in 36 (quarters)," Mr. McDowell said, explaining the firm's ability to attract new customers. He asked the names of his firm's three new fixed-income clients not be published.

Among smaller firms, E.M.G. Advisors outdistanced the pack with $62 million in new business. Maryland National Bank and Mutual Service Life Insurance Co. each gained $15 million, tying for second.

E.M.G. Advisors employs an active fixed/variable methodology. The firm buys discounted fixed-rate mortgage-backed securities, either agency or government guaranteed, and enhances the return with variable-rate government securities.

This strategy has produced a seven-year annualized return of 16.6% with a standard deviated risk of 5.1%, said Eben M. Graves, president. This compares with Shearson's 14.1%.

It lists Amerace Corp., New York, among its six new fixed-income clients. ■

## Most new balanced business (net)

### Top 10 managers over $1 billion

| Company | $ mils. |
|---|---|
| Wells Fargo Invest. Advisors, San Francisco | 1,980 |
| Loomis, Sayles & Co., Boston | 645 |
| Boston Co. Inc., Boston | 630 |
| J.P. Morgan Investment Mgmt., New York | 488 |
| Invesco Capital Mgmt., Atlanta | 416 |
| Morgan Stanley Asset Mgmt., New York | 301 |
| Mellon Capital Mgmt., San Francisco | 300 |
| Manufacturers National Bank, Detroit | 287 |
| Bear, Stearns Asset Mgmt., Chicago | 252 |
| First Investment Mgmt., Oklahoma City | 250 |

### Top 10 managers $250 mil. to $1 bil.

| Company | $ mils. |
|---|---|
| Bank of California, San Francisco | 263 |
| Wolf Webb Burk & Campbell, Philadelphia | 169 |
| Liberty Nat'l. Bank/Louisville, Ky. | 147 |
| NWQ Investment Mgmt., Los Angeles | 95 |
| Federated Invest. Counseling, Pittsburgh | 89 |
| United States Trust Co., Boston | 69 |
| Amivest Capital Mgmt., New York | 58 |
| Cramblit & Carney, Los Angeles | 55 |
| Sirach/Flynn, Elvins Capital, Seattle | 55 |
| Daniel Breen, Houston | 46 |

### Top 10 managers under $250 million

| Company | $ mils. |
|---|---|
| Anchor Capital Advisors, Boston | 100 |
| P.E. Becker, Portland, Ore. | 50 |
| Kirr, Marbach & Co., Columbus, Ind. | 33 |
| Pension Portfolio Advisors, Southfield, Mich. | 25 |
| Schaenen Wood & Associates, New York | 22 |
| Maryland National Bank, Baltimore | 20 |
| Seaboard Investment Advisers, Norfolk, Va. | 16 |
| Jurika & Voyles, Oakland, Calif. | 15 |
| Crabbe-Huson Co., Portland, Ore. | 14 |
| Cumberland Advisors, Vineland, N.J. | 12 |

# Labor . . .

*Continued from page 1*

specified damages to the pension fund resulting from the suspended payment and the replacement of management-appointed trustees with trustees appointed by the court.

"We don't want to get lax with our contributions, especially in light of the corporation we are dealing with," said Marty E. Urra, a labor trustee and plaintiff in the case. Mr. Urra is president of Local 702 of the International Association of Machinists and Aerospace Workers, Miami.

The labor trustees' counsel, Gerald M. Feder of Feder & Associates, Washington, declined to comment on the charges made against Eastern and Texas Air. "The complaint speaks for itself," he said.

Theodore M. Forbes, a partner in the law firm of Gambrell & Russell, Atlanta, which is Eastern's general counsel, declined to comment because he is a defendant in the case. The complaint said Mr. Forbes "knowingly aided, abetted and/or participated" in violations of ERISA.

The lawsuit is "premature" because the Internal Revenue Service has yet to act on Eastern's Sept. 15 application for a funding waiver, said William Bell, an attorney for the defendants. "If the application is denied, the money will be put in," said Mr. Bell, who is with Holland & Knight, Miami.

Meanwhile, the pension fund is suffering a loss caused by Eastern's decision to withhold the $16 million contribution, the complaint alleged.

Because of the company's decision, the trustees Sept. 26 unanimously agreed to liquidate $12 million in stocks and bonds assets to cover anticipated benefit payments, the complaint said. The two labor trustees had wanted Eastern to make the whole $16 million payment or, failing that, to make benefit payments as they came due, but they voted for the sale of assets because the company rejected the alternatives, the complaint said.

Eastern's reluctance to make the contribution for 1985 started with the Feb. 24, 1986, plan to merge the company with Texas Air, the complaint said. Under the merger agreement, holders of Eastern's common stock would receive $6.25 a share, of which Texas Air would pay $4.50 and Eastern would pay $1.75 if it could sell debt to finance the payment to the stockholders.

Approval of certain creditors was needed to issue the additional debt, the complaint said. If Eastern could not make the $1.75 a share payment, Texas Air would pay the entire amount.

Eastern determined it would have to repay $110 million of debt to get approval for the new issue, according to the complaint. "Before Aug. 28, 1986, Eastern and Texas Air had evaluated the cash needs of Eastern, which were related, among other things, to the requirements of the merger agreement, and had concluded that Eastern probably would withhold the required $16.007 million contribution to the plan on September 15, 1986," the complaint stated.

The Eastern case raises stubborn questions about fiduciary responsibility that are inherent in the management trustee's dual role as corporate executive and pension plan official. For example, when The LTV Corp., Dallas, initiated an unsuccessful tender offer for Grumman Corp., Bethpage, N.Y., in 1981, management trustees of the Grumman pension plan directed the purchase of additional shares of Grumman stock in an effort to thwart the takeover.

The 2nd U.S. Circuit Court of Appeals in New York found in 1982 the trustees had breached their fiduciary duty by failing to act for the exclusive benefit of the plan beneficiaries.

Proponents of greater rights for pension plan beneficiaries won another battle last year, when the U.S. Supreme Court refused to review a lower court's finding IRS approval of a funding waiver does not override a union contract that obligates funding by the plan sponsor.

Robert C. Long, a lawyer on the losing side of the case — which involved the United Auto Workers and Keystone Consolidated Industries Inc., Dallas, said plan sponsors should consider adopting collective bargaining agreements that explicitly recognize the employer's right to withhold funding if the IRS approves a funding waiver.

"This is another item on the checklist" in preparing contracts, said Mr. Long of Seyfarth, Shaw, Fairweather & Geraldson, Chicago.■

# Hancock . . .

*Continued from page 2*

funds will continue, and he said he believes some pension fund executives are taking assets from open-end funds for present liquidity needs instead of taking assets out of other investments, particularly the stock market.

Those withdrawing could be paid out in unit share values that are substantially lower than only 12 months ago.

Mr. Garner said Hancock officials are aggressively writing down values of properties in the fund to current market values to protect the assets of remaining fund participants and so the fund is not paying out inflated values.

Although the fund has only 35% of its assets in office property, among the hardest hit property type, it does have substantial holdings in Houston, Dallas and Denver, cities suffering from high office vacancy rates.

That need to write down asset values, however, worsens the situation, according to Barbara Cambon, a principal with Institutional Property Consultants, San Diego, Calif. "You don't want to be the last one in the fund in case there is no value left," she said.

Mr. Garner said the fund will not be selling troubled buildings to meet withdrawal requests. He said other properties, including some believed to be at peak value, have been designated for sale. Those sales will account for about $60 million of the payouts expected to be honored this year; the other $40 million will come from income.

Hancock's ERA fund is not the only life insurance open-end real estate fund having redemption problems, said Ms. Cambon.

Prudential Realty Group's Property Investment Separate Account 1, for example, lost 50 investors in 1986 alone. In the past two years, the giant open-end fund has experienced an average outflow per quarter of $150 million to $200 million and an average inflow of $44.5 million.

As of Sept. 30, PRISA had $5.03 billion in total assets (gross) (*P&I Age*, Jan. 12).

"The first thing that I think generated the withdrawal requests is the relative poor performance of the funds" that were hit by withdrawal requests, Ms. Cambon said.

"Because they (the commingled funds) have this stand-in-line system for getting out, I think people who are even concerned about the possibility of getting out feel the necessity to get in line," she said.

In addition to pension executives' concerns about investment performance, Ms. Cambon said there is a structural change in the real estate market.

"I think the market has changed in a lot of ways," she said, adding there still is a place for the broadly diversified open-end funds, including the need of funds that have not previously invested in real estate. ■

# Money managers buy . . .

*Continued from page 4*

Jan. 1 through Dec. 1.

Aetna also provided client names on the condition they not be published.

Rounding out the top 10 were Principal Mutual Life Insurance Co., Des Moines, Iowa, with $695 million; The New England, Boston, $452 million; MONY Financial Services, New York, $434 million; and Pacific Mutual Life Insurance Co., Newport Beach, Calif., $419 million.

Some big names were absent from the list. Equitable Life Assurance Society of the United States, Secaucus, N.J., would have ranked sixth, with $1.05 billion, had it provided client names. Connecticut Mutual Life Insurance Co., Hartford, would have been ninth, with $565 million, had it provided client names.

Also, three of 1985's top 10 did not participate in the survey. They are Metropolitan Life Insurance Co. and New York Life Insurance Co., both of New York, and John Hancock Financial Services, Boston. A year ago, they ranked second, fourth and fifth respectively.

The top GIC managers said defined contribution plans, particularly 401(k) plans, account for much of their business. GICs are especially popular in employee-directed plans. "The employees still give a lot of credence to the guarantee," Provident's Mr. Profio said.

Prudential's Mr. Chmely added, "Except for plans where there's a requirement that company stock be the investment for some portion of the contributions, we think 80% to 85% of the new investments are being made in a GIC product."

Rates on GICs fell during 1986, as did interest rates on other fixed-income investments, but that hasn't hurt GICs' popularity, the managers said. Travelers' Mr. Willison said that already in 1987, his company has written as much GIC business as it did in all of 1986.

"While rates have actually declined, the real rate of return, adjusted for inflation, is still very attractive, relative to other fixed-income investments," he said. "And people still place high value on that guarantee.

"Even though rates have dropped, we have not seen a reduction in our business." ■

# Mercantile launches sub

ST. LOUIS — Mercantile Trust is forming a wholly owned subsidiary to focus on the needs of large tax-exempt investors, said Ralph Webster, vice president-trust employee unit.

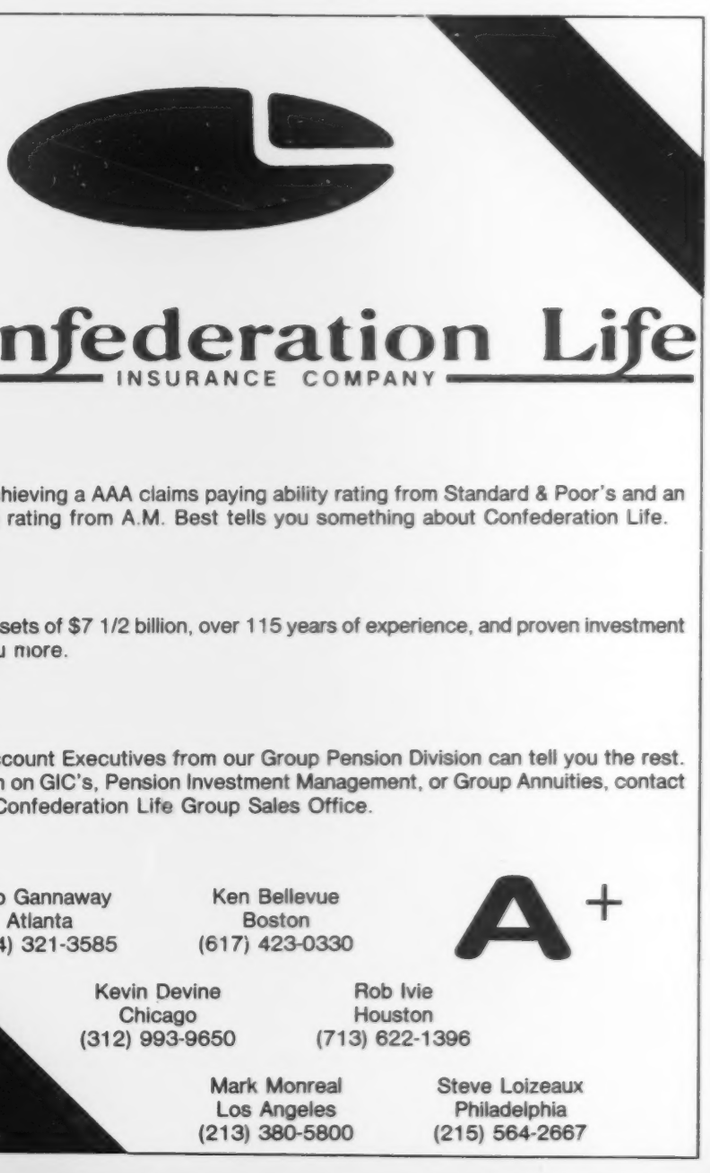
The subsidiary, Mississippi Valley Advisors, will be staffed by 19 investment professionals from the parent company, along with two "experienced portfolio managers" who are joining from other firms. Mr. Webster declined to disclose the managers' names because negotiations are still in progress.

MVA is scheduled to open this month, pending Securities and Exchange Commission clearance. Mr. Webster said MVA would begin with about $2.5 billion under management and about 150 clients.

The move allows the holding company, Mercantile Bancorp, to offer equity, fixed-income and balanced services under MVA, while Mercantile Trust can service the individual, small accounts and master trustee or custodian relationships according to client's needs, he said.

2Mr. Webster said there will be incentive bonuses for managers that should bring long-term benefits to the clients and "attract and keep qualified investment personnel."

John Blixen, the chief investment officer at Mercantile Trust, will become president; Gene Gillespie, head of investment research at the parent company, will transfer his duties to the subsidiary. Mr. Webster will become managing director. ■

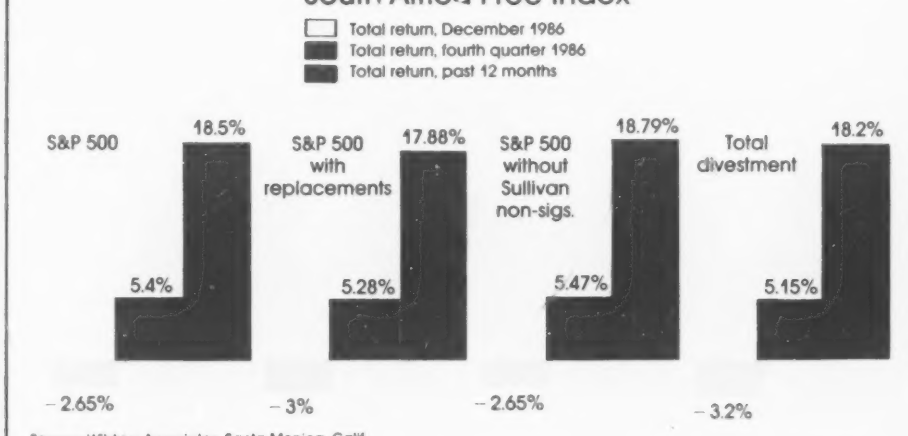
# Statistically speaking

The Statistically Speaking page offers an at-a-glance look at statistics for the latest quarter.

The Wilshire South Africa Free Index, Mercer-Meidinger bullet GIC data, First Chicago's MMI and the Russell 3000 returns will appear regularly.

Other data will be used as time and space allow.

## South Africa Free Index




Source: Wilshire Associates, Santa Monica, Calif.

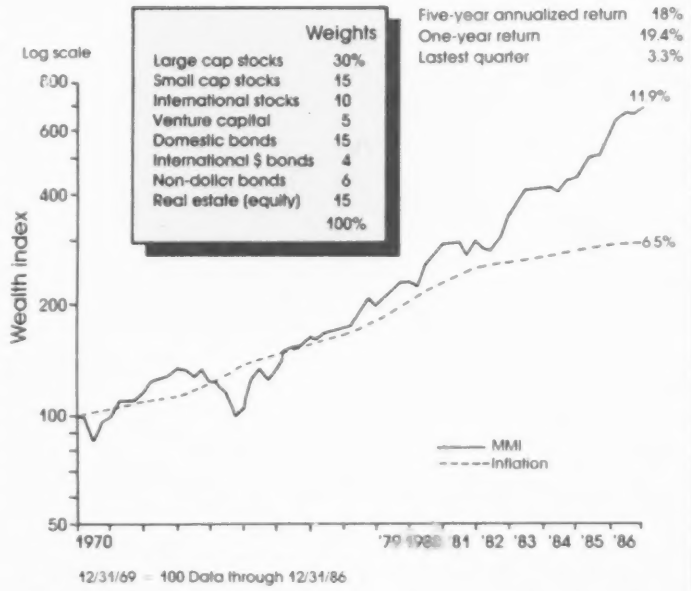
**S&P 500 with replacements**: replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories**: excludes 20 companies, no replacements. **Total divestment**: eliminates all companies with South Africa involvement, no replacements.

## Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of nine asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.

| | Weights |
|---|---|
| Large cap stocks | 30% |
| Small cap stocks | 15 |
| International stocks | 10 |
| Venture capital | 5 |
| Domestic bonds | 15 |
| International $ bonds | 4 |
| Non-dollar bonds | 6 |
| Real estate (equity) | 15 |
| | 100% |

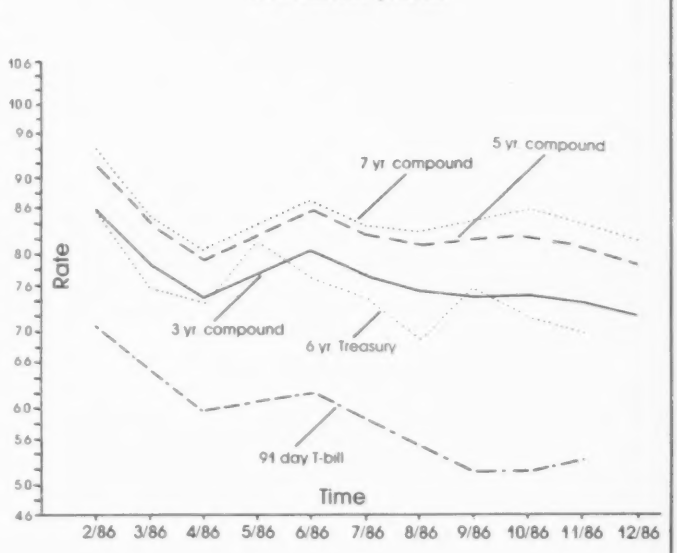
| | |
|---|---|
| Five-year annualized return | 18% |
| One-year return | 19.4% |
| Lastest quarter | 3.3% |




12/31/69 = 100 Data through 12/31/86

Source: First Chicago Investment Advisors, Chicago

## William M. Mercer-Meidinger Inc. Summary of average bullet GIC data vs. market yields




Source: William M. Mercer-Meidinger Inc., Louisville, Ky.

## Fourth quarter 1986 returns

| | Russell 3000 | Russell 1000 | Russell 1000 by market capitalization | | | | Russell 2000 |
|---|---|---|---|---|---|---|---|
| | | | Large | Medium/large | Medium | Medium/small | |
| Financial services | – 0.9% | – 0.7% | 0.9% | – 0.3% | 0.2% | – 3.2% | – 4.1% |
| Utilities | 3.5 | 3.6 | 5.8 | 3.4 | – 0.5 | 2.1 | 0.6 |
| Technology | 0.8 | 0.4 | – 2.4 | 2.8 | 2.7 | 8.5 | 3.4 |
| Producer durables | 4.3 | 4.6 | – 3.7 | 8.1 | – 1.4 | 7.1 | 2 |
| Materials & processing | 6.4 | 7.1 | 7.5 | 5.4 | 10.3 | 4.9 | 1.6 |
| Integrated oils | 5.5 | 5.5 | 5.3 | 10 | 6.5 | – 5.7 | 11.2 |
| Other engergy | 0.8 | 1.3 | — | 0.1 | 1.6 | 2.7 | – 3.2 |
| Consumer staples | 9 | 9.2 | 10.9 | 8.5 | 9.8 | 2.1 | 2.3 |
| Consumer discretionary | 5.4 | 6.1 | 12.1 | 4.5 | 5.3 | 2.2 | 0.5 |
| Health care | 7.9 | 9.3 | 12.2 | 9.6 | 1.4 | – 3.3 | – 3.4 |
| Auto and transportation | 4.2 | 4.1 | 2.3 | 4.1 | 7.9 | 1.2 | 5.5 |
| Total | 4.1 | 4.4 | 5.7 | 4.6 | 3.7 | 1.8 | 0.6 |

Source: Frank Russell Co., Tacoma, Wash.

2/27/87 C2710-2


# Pensions & Investment Age



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The newspaper of corporate and institutional investing • $4.00 an issue • $80 a year • February 23, 1987


## Tighter funding rules proposed

By Richard Gillespie

WASHINGTON — Pension rules proposed by the Reagan administration last Thursday would toughen funding requirements for companies with weak plans and accelerate pension contributions to all defined benefit plans.

Pension contributions would be due 2½ months after the end of the plan year, six months earlier than under current law.

The package also contains a proposed clarification of standards under which minimum funding waivers would be given. This would include a new definition of "business hardship" that could meet strong opposition from Rust Belt companies.

Another provision would enable corporations with overfunded pension plans to make tax-free rollovers into post-retirement health care plans to pay for the health costs of current retirees.

The bill also generally would limit to 10% the amount of qualified employer securities that can be placed in a floor-offset plan.

In addition, the administration's new competitiveness package — which includes the pension proposals — would make it easier for companies to withdraw surplus assets from their overfunded pension plans.

A companion measure intended to boost the Pension Benefit Guaranty Corp.'s finances by introducing a variable-rate pension plan premium will be part of the administration's upcoming budget bill.

Generally, the pension reforms cover long-standing issues raised by the overfunding and underfunding of pension plans, as well as the unfolding financial crisis at the PBGC.

"The primary objective is to make pension plans more secure. While the current law has worked well, there have been some disturbing trends," said Dennis Kass, assistant secretary of labor.


*Continued on page 54*


## U.S. to help some terminated plans

By Barry B. Burr

WASHINGTON — Federal procurement agencies are offering to subsidize the burden of underfunded pension plans that contractors terminate and dump on the Pension Benefit Guaranty Corp.

The offer, contained in a proposed addition to the Federal Acquisitions Regulations, reaffirms a little-known, dormant policy that is opposed by some government advisers.

The reaffirmation is a reciprocal agreement to efforts by the Defense Department to secure a piece of the reversion contractors get when they terminate overfunded pension plans.

The Defense Department, the National Aeronautics and Space Administration and the General Services Administration jointly proposed adoption of the rule, which includes handling overfunded and underfunded plan terminations by government contractors.

The proposal notes the government is seeking redress for overpaying pension expenses. Reversion "proceeds represent an adjustment of prior periods' pension costs," the proposal states. "If the actual cost had been known, the prices the government previously paid would have been reduced commensurately."

The proposed rule affects all federal procurement agencies. Comments will be accepted through April 10.

Acting without formal regulations, the Defense Department already has negotiated shares in reversions from terminated plans at FMC Corp., Chicago, and Rockwell International Corp., Pittsburgh, and has received credits for contributions in full-funded plans of United Technologies Corp., Hartford, Conn., and Lockheed Corp., Los Angeles.

Charles Brown, an auditor in the Defense Department's controller's office who helped write the proposed rule, said he left in the indemnification policy. He said the policy has been in existence for about 10 years, although he knows of no instance in which a contractor asked a procurement agency to subsidize a deficit of a terminated plan.

He calls it a reciprocal arrangement. "If we are going to be in there with our hand out when they have a (termination) profit . . . we should be man enough about it . . . and help out" to fund a termination deficit.

But he acknowledged some advisers to the 10-member Defense Acquisition Regulatory Council that recommended the rule proposal oppose keeping the indemnification.

"There is strong feeling we shouldn't step in and make payments for underfunding," he said. "There are people who feel contractors will start gaming up . . . and start coming to us with big bills."

The version in the Federal Register erroneously refers to underfunded plans. It states: "The new coverage provides rules for determining the government's equitable share of prior periods' pension costs which are recaptured by contractors when an *underfunded* pension plan is terminated."

"That should have been *over-*" funded, confirmed Frank Van Lierde, procurement analyst for the GSA. After checking, he noted the copy was sent to the printer incorrectly.

The proposal continues: "The same rules are also applicable when an underfunded plan is terminated and indemnifications payment must be made to the Pension Benefit Guaranty Corporation."

Mr. Van Lierde said that seems to mean the government would assume some liability for underfunded plans turned over to the PBGC. "If we are going to share in an overfunded plan . . . we felt that the government ought to share in indemnification payments to the PBGC," he said.

Other officials were not available to confirm his interpretation.

The proposed termination rule would apply to almost all contracts. Among the major excep-


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## Inside:

CASH MANAGEMENT: Workers at CIGNA Corp.'s treasury operations in Bloomfield, Conn., use controlled disbursement for the majority of CIGNA's payments — a practice other insurers may adopt — page 39.

## Market likely to surpass 2,500

### Experts predict bull could charge for 3 more years

By Fred Williams and Brian Lehrer

The bull market will exceed 2,500 before peaking within the next three years and then retreat by 20% or more, more than half of a group of market experts surveyed by *Pensions & Investment Age* agreed.

But a significant minority expects it to peak this year at 2,500 or less.

Estimates for gains in the benchmark Standard & Poor's 500 stock index vary widely, but should top 350 to 400 by 1990, according to these investment specialists.

• Michael Metz, portfolio strategist with Oppenheimer & Co. Inc.'s research department, New York, expects a first-quarter gain of 3% to 5% before a market decline.

• Steven Leuthold, president of the Leuthold Group, Minneapolis, expects the Dow to go to about 2,400 in the next three to four months.

• Peter Anderson, president and chief investment officer at IDS Growth Spectrum Advisors Inc., Minneapolis, said officially his firm is projecting a 25% advance in the S&P for the year: "Unofficially . . . I wouldn't be surprised to see 30% to 35% for the year . . . I expect the Dow to be at 2,500 and the S&P to be 310 or higher."

• Kenneth Grossman, partner in Hahn Holland & Grossman, Chicago, expects the Dow to reach 3,000 to 3,500 in the next several years.

More immediately, he expects the Dow to reach 2,300 and the S&P 500 to reach 290 to 300 by the "second or third quarter" before a correction.

• Although he is cautious, Chuck Clough, director of investment strategy at Cowen Asset Management, Boston, expects the Dow could reach 2,300 by April.

• Robert Farrell, chief market analyst for Merrill Lynch Capital Markets, New York, said he thinks the Dow will hit 2,400 or 2,500 in the first half of the year.

• David Bostian Jr., president of Bostian Research Associates Inc., New York, believes "the Dow could reach 3,000 by 1988-'89."

• James R. Solloway, director of economic research at Argus Research Corp., New York, looks for the Dow to peak in the 3,000 to 3,500 range in 1988-'89.

• Thom Brown, market strategist for Butcher & Singer Inc., Pittsburgh, said the Dow should balloon above 3,000 in 1988-'89.

• Martin Sass, president and chief investment officer at M.D. Sass Investment Services, New


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# Asset reversions fall 27% as plan terminations slow

By Chuck Paustian

WASHINGTON — Surplus assets recovered by companies terminating overfunded pension plans fell during 1986 to their lowest level in two years, statistics from the Pension Benefit Guaranty Corp. show.

Expected asset reversions for 1986 totaled $4.06 billion, a decrease of 27% from $5.59 billion the previous year. Companies recovered $3.61 billion in surplus pension assets from 1984 terminations.

The slowdown was greatest during the fourth quarter of 1986, when the amount of surplus assets reverting to corporations fell 83% from the same period a year earlier.

For the quarter ended Dec. 31, expected reversions totaled $379.3 million from 61 plans with total assets of $1.12 billion, compared with the previous year's fourth quarter expected reversions of $2.23 billion from 252 plans with total assets of $5.14 billion.

Since May 1980, completed and pending terminations involve recaptures of $15.66 billion from pension plans with total assets of $34.52 billion.

Filings in the most recent PBGC data, as of Jan. 29, include:

- Enron Corp. Inc., Houston, expected to recapture $232.2 million from a plan with assets of $254.1 million (*Pensions & Investment Age*, Oct. 27).
- Ashland Oil Inc., Russell, Ky., expected to recover $195 million from two plans with total assets of $460 million (*P&I Age*, June 9).
- Foster Wheeler Corp., Livingston, N.J., with an expected reversion of $25.2 million from a plan with assets of $70.1 million.
- Ozark Air Lines Inc., St. Louis, expected to recover $21.1 million from a plan with assets of $132.9 million.

Pension experts cited several reasons for the decline in reversion activity, including a drop in long-term interest rates, new tax law and uncertainty about proposals in Congress regarding access to surplus pension assets.

Long-term interest rates, upon which actuaries base their discount rate for calculating the present value of pension obligations, have fallen steadily in the past couple of years.

Declining interest rates mean a higher present value of pension liabilities and less surplus assets. A one percentage point drop in rates, in general, means a 15% to 20% increase in the present value of pension obligations.

As of Jan. 1, the Moody's Aaa rate — considered the most representative — had fallen to 8.53%, from 12.6% as of Jan. 1, 1984.

"That's the primary reason" for the decline in reversion activity, said Frank McArdle, education director at the Employee Benefit Research Institute, Washington.

"The secondary (reason) is that now there is a 10% excise tax on the reversion," he said.

Under the provisions of the Tax Reform Act of 1986, recovered surplus assets are subject to a 10% excise tax on top of the normal corporate tax rate. This excise tax applies to terminations filed after Dec. 31, 1985.

"I think that's reasonably significant for companies that were on the border line of whether (terminating) is worthwhile or not," said Rowland M. Davis, vice president of Towers, Perrin, Forster & Crosby, Chicago.

The new tax law played a slightly different role in the decision by executives of Blue Cross of California, Los Angeles, to terminate a $90 million pension plan and recapture $32 million.

Ann Monroe, vice president of human resources at Blue Cross, said under the new tax law, the company would no longer be tax exempt as a not-for-profit organization. "But, because (the termination) occurred before 1987, when our tax status changed, we didn't have to pay the tax." The reversion would be used for general corporate purposes.

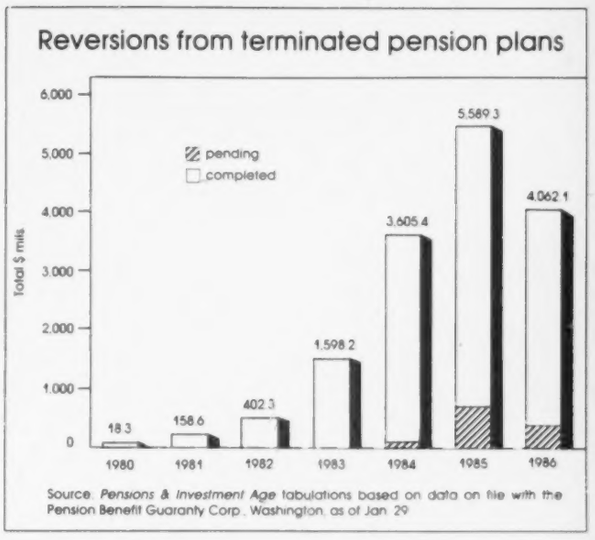
The outcome of various proposals being bandied about Washington could have a direct effect on the pace of reversion activity.

"Anyone looking out into the future (during the past two years) would have thought it'd be more difficult to gain access to the surplus and they'd be more careful to not accumulate a surplus," said EBRI's Mr. McArdle.

He was referring to a bill recently introduced in the U.S. House of Representatives that would prohibit companies from terminating pension plans and recouping surplus assets (*P&I Age*, Feb. 9).

Another proposal that would affect reversion activity is contained in a Reagan administration bill carrying a number of reforms to the Employee Retirement Income Security Act (*P&I Age*, Jan. 26).

Under the terms of the proposal, being discussed at the departments of Labor and Treasury, employers could withdraw pension assets in excess of 120% of accumulated benefits. ■



Source: *Pensions & Investment Age* tabulations based on data on file with the Pension Benefit Guaranty Corp., Washington, as of Jan. 29

# Codlin quits Wisconsin for Illinois

By Trudy Ring

Two pension officials have resigned, one to join another fund and the other to enter another business.

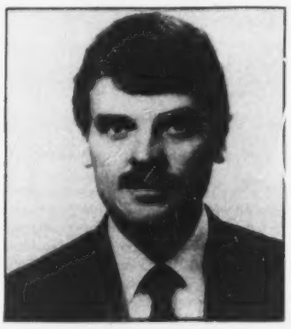
Kenneth E. Codlin is resigning as executive director of the $13.5 billion State of Wisconsin Investment Board, Madison, to become investment officer for the $2.4 billion Illinois State Universities' Retirement System.

He replaces Charles M. Hundley, who left in August to become a vice president of Northern Trust Co., Chicago.

Kevin Burke has resigned as manager of pensions at PepsiCo Inc., Purchase, N.Y. His plans are unknown.

PepsiCo has about $530 million in pension assets. No replacement has been selected for him yet.

Mr. Codlin's last day at the Wisconsin fund will be March 6; he expects to join the Illinois universities system March 9, he said.


*Kenneth Codlin is taking over the reins at the Illinois State Universities Retirement System.*

"They made me a very attractive offer — it looked like a good opportunity and I'm looking forward to joining them," Mr. Codlin said of the Illinois fund.

One aspect of his new job he found attractive is that the Illinois fund's board of directors has authority to set the fund's operating budget, while in Wisconsin, that was a matter for the Legislature to decide, he said.

The Wisconsin Legislature

*Continued on page 55*

# Pension expense controlled

## Volatility cut, income statement boosted under FASB

By Brad Rudin and Chuck Paustian

Corporate executives completing their second year of compliance with the Financial Accounting Standards Board's rules for pension accounting were able to minimize the volatility of pension expense that some had feared would result from the new rules.

In addition, dozens of other companies implementing FASB Statements 87 and 88 for the first time were able to boost 1986 income statements by millions of dollars.

Executives at the companies that have used FASB 87 for the past two years, and other pension experts, said alternatives for controlling pension expense were available through the statement itself and through external review of the pension plan.

One means contained in FASB 87 was amortization of transition amounts, which could be used to offset increases in liabilities produced by declining interest rate assumptions.

A lower interest rate assumption makes it more expensive for a sponsoring company to settle pension obligations with an annuity purchase.

The plan's transition amount is the surplus or deficit at the time of transition to the new accounting rules.

The transition amount, an asset for companies adopting early, must be amortized over the average remaining service period of employees or 15 years if the average remaining service period is less than 15 years.

Upon adoption of FASB 87 on Nov. 1, 1985, Hewlett-Packard Co., Palo Alto, Calif., had an unrecognized net asset of $128 million, to be amortized during the subsequent 15 years. For 1986, the company recognized a credit of $11 million toward pension expense.

For this past year, Hewlett-Packard recognized $24 million in pension income from its defined benefit plan, reducing the company's total pension expense for 1986 to $56 million from 1985's $86 million.

Total pension expense includes the company's profit-sharing plan, which is its primary retirement vehicle, a supplemental defined benefit plan and foreign pension plans.

"Rather than recognizing costs over a relatively short period, you're required to amortize over a relatively long period (the average service life of participants), and that has a tendency to smooth the costs," said Joseph M. Zaelit, treasury manager in charge of compensation and benefits at Hewlett-Packard.

Exxon Corp. recorded $93 million in negative pension expense in 1985 when it first adopted the rule, said Thomas Dodson, the

*Continued on page 51*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

**P&I Age January indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 13.48 | 13.48 | 33.94 |
| Russell 3000 | 12.8 | 12.6 | 30.2 |
| Ryan Index | .89 | .89 | 17.68 |
| Shearson Lehman Gov't./Corp. | 1.37 | 1.37 | 16.49 |

Source: Rogers, Casey and Barksdale Inc.

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## Opinion

# Some GM investors are wimps

THE KNEE-JERK REACTION and wishy-washy actions by some General Motors Corp. shareholders threaten to tarnish the reputation of institutional investors as a serious and responsible force.

Although some investors contended the $742 million buy-out of H. Ross Perot carried an excessive price and was a waste of corporate assets, the manner in which they reacted to the buy-out reeks of wounded egos, rather than of concern over such lofty issues as corporate governance.

Look at the chain of events: Following the buy-out, the Council of Institutional Investors invites Roger B. Smith, GM's chairman, to meet with council members. Mr. Smith doesn't show up, and sends a team of GM executives in his stead. Council members are miffed over being stood up by Mr. Smith. One member of the council, the State of Wisconsin Investment Board, introduces a shareholders' resolution protesting the buy-out, and five of GM's other institutional shareholders become co-sponsors.

By then, Mr. Smith wises up. He agrees to attend meetings with institutional investors, particularly those co-sponsoring the resolution. The round of meetings begins, not surprisingly, with members of the Wisconsin board.

Following that first session, the board informs Mr. Smith the resolution might be withdrawn. Within days, other co-sponsors soften or withdraw their support of the protest resolution.

What divine revelations from Mr. Smith changed their minds? Listen to the explanation of Joe Perrone, chief investment officer of the Teacher Retirement System of Texas, the first co-sponsor to withdraw support for the resolution: "We heard their (GM's) position, which wasn't different from what we knew. We still disagree with them. What are we going to do about it? Not a helluva lot. We don't feel there is much else we can do."

What changed their minds? Apparently it was nothing more than Mr. Smith's willingness to do some hand-holding, which, in turn, helped heal some hurt feelings.

That these investors — once indignant and irate enough to launch a shareholders' resolution — quickly said "never mind" once their egos were massaged, leaves a bad taste in the mouths of many.

The events leading to the shareholders' resolution transpired because members of the Council of Institutional Investors apparently didn't believe Mr. Smith was taking them seriously. Their subsequent actions demonstrate Mr. Smith was right not to do so.

# Does dynamic hedging meet needs?

THE AMOUNT OF ASSETS covered by portfolio insurance programs, also known as dynamic hedging programs, has climbed to more than $50 billion, according to some estimates.

Clearly, this is phenomenal growth for a product that was introduced in 1980 and which grew rather slowly for the first two years.

Portfolio insurance uses a sophisticated computer program to trigger sales of stock index futures to hedge pension fund portfolios against market declines. By giving up some of the upside potential of the portfolios, pension executives can protect the portfolios against losses in a down market, proponents claim.

Judging by its acceptance, the product fulfills a need. However, the question needs to be asked: Whose need?

Some pension executives, presumably those skeptical about the use of portfolio insurance, have begun to refer to it as "job insurance."

The implication is that portfolio insurance is being bought by some pension executives more to protect their own jobs than because it is the right thing for the pension fund and the sponsoring entity.

A pension executive clearly has less to fear from slightly underperforming the indexes in a bull market than outperforming the market in a bear market — but still seeing the fund lose 10% or 20% or more of its value.

The decision to buy a portfolio insurance program should be based on the long-term needs of the plan. It should fit within the investment strategy adopted for the plan.

If the plan and the sponsoring organization can afford to take a truly long-term investment approach — 15 or even 20 years — then portfolio insurance should be unnecessary.

In that time period, the market's long-term growth pattern should overcome any cyclical declines. And the market returns not sacrificed to the portfolio insurance program will enhance the well-being of the plan and its sponsor.

Only if the plan and its sponsor cannot accept short-term volatility does portfolio insurance make sense.

Where a plan has no need of insurance against such volatility, such as in a highly funded plan, dynamic hedging may be being bought as "job insurance."

That's the wrong reason for buying it.

## Letters to the editor

### Need right diagnosis

To the Editor: Most investors feel uneasy about the wild gyrations of the stock market and there is growing talk of seeking regulatory remedies.

Before remedies can be prescribed, a proper diagnosis is needed. It appears to us it is the extreme conflict of interests that need to be remedied.

The conflict of interests lies with the three key players: The executors of "portfolio insurance;" managers of index funds; and index-futures arbitrageurs. It arises when all three players really are one player wearing three hats, whose primary allegiance is to his pocketbook.

To begin with, "portfolio insurance" promises to protect pension portfolios by selling index futures against the portfolio with every 50-point or so decline in the Dow Jones industrial average. They are not concerned with the price at which they sell the futures, they simply dump them on the market.

But because some of the executors of the portfolio insurance are also index-futures arbitrageurs, the lower the prices they get in selling the futures for their portfolio insurance clients, the lower they can buy the futures for their own index-futures arbitrage.

And as managers of index funds they can sell stocks in the index without requiring an uptick for what are effectively short sales when executing the index-futures arbitrage.

So by using the portfolio insurance clients as a source of "cheap futures," and their index fund clients as a source of stocks that effectively can be sold short without an uptick, the three-hatted middlemen profit at the expense of both clients. The index fund investors obviously do not share in the arbitrage profits of the fund managers.

One of the flaws in the portfolio-insurance programs is that they are not executed by the portfolio managers but by third parties. If the portfolio manager were to try to protect his portfolio, he would not necessarily sell index futures, but rather stocks or futures, whichever were higher. Conceivably, he could buy futures if they were selling at a discount and sell stocks.

But a third party follows no such logical consideration. When the "insurance" executor wears "other hats," the conflicts of interests contribute to the seemingly inexplicable gyrations of the market which are really quite logical, viewed from the perspective of the three-hatted middlemen.

The remedies now become clearer.

**David M. Levin**
President
Computime Institutional
Services Inc.
New York

### ASB cites indexing

To the Editor: The article on index funds in the Jan. 12 issue of *Pensions & Investment Age* lists a table of "top index fund managers." This table does not include the index assets managed by ASB Capital Management Inc.

Our firm manages $401 million in domestic equity indexed assets, most of which track the Standard & Poor's 500. The remainder of the assets track the S&P 500 modified to exclude companies that do business in or with South Africa (thus creating a "South Africa Free Index.") Based on your table, this would place ASB Capital Management 21st among top index fund managers, and 15th among domestic equity index fund managers.

ASB Capital Management is a District of Columbia, SEC-registered investment adviser offering a full complement of money management services to institutional clients, including corporations, associations, foundations, endowments and unions.

With $5.2 billion in assets under management, we are the largest money manager with headquarters in the Washington area.

We hope to continue this type of communication to avoid future omissions.

**Terence W. Collins**
President
ASB Capital Management
Washington

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# Equity funds win using discipline

**By Fred Williams**

A disciplined approach emphasizing high-quality, large-capitalization, blue-chip stocks was the hallmark of the best-performing pooled equity funds in Pensions & Investments' Performance Evaluation Report for 1986.

The top PIPER equity fund for the year was Sun Banks, Orlando, Fla., which recorded a 32% return.

Sun Banks has been a perennial leader, finishing at the top of the list for the three- and five-year periods ended Dec. 31 with a compound annual return of 31.1% in each period, and fifth for the 10 years, with an annualized 19%. For the quarter it finished in the top 25%, with a return of 6.3%.

But Sun Banks' high-level performance was not reflected by the PIPER median funds, which lagged the Standard & Poor's 500 stock index for every period. For the year, the PIPER median fund returned 17.1% vs. the S&P's 18.7%.

For the three-, five- and 10-year periods, the median fund returned a compound annualized 15.9%, 18.2% and 13.3%, respectively, vs. the benchmark's 18.5%, 19.9% and 13.9%. For the quarter, the median fund returned 4.4% and the S&P, 5.6%.

The PIPER universe comprises 300 pooled equity funds of banks and insurance companies.

Remaining atop the performance list for the long term requires discipline and clear objectives, said Anthony Gray, executive vice president at Sun Bank.

"We spend a lot of time in relative valuation work. We try to find out what is cheap by looking at the relative (price-earnings) ratios in the past and present ... We like homogeneous industries; for example, food stocks. In the last three years we have been heavily overweighted in foods," said Mr. Gray.

The $220 million portfolio was heavily invested in large-cap stocks such as **General Electric Co.**, **Ralston Purina Co.**, **Merck & Co.** and **Dun & Bradstreet Corp.**, "companies which have done well in the past and with good five- and 10-year records that we expect to do well in the future.

"Our largest and most successful stocks were in the technology sector. We sold **IBM** in the summer and bought **Digital Equipment Corp.**, **Tandem Computers Inc.** and **Computer Associates**. That added 6% to our total return," he said.

For the year, Sun Banks was followed by Bank of Delaware's equity fund with a return of 29% and Barnett Banks Trust Co., Jacksonville, Fla., employee benefit equity fund with 27.9%.

Edgar Loring, vice president at Bank of Delaware, also credited large-cap issues for the success in 1986.

"By and large, most of the performance was in the first half of the year and it was centered around consumer stocks, blue chips and large capitalization, which made up two-thirds of the portfolio," he said.

"We follow a growth-stock orientation with above-average quality stocks, high market yields and then look at relative p/e basically. It's fairly simple, but it works," said Mr. Loring. Bank of Delaware's strategy also placed it in the top 25% for the fourth quarter, with a return of 6.3%.

Equity performance at Barnett Banks was focused primarily on the consumer sector, said John Allen, vice president and senior investment officer. In addition to its third-place finish for the year, Barnett ranked eighth for the three years with an annualized 22.8% and was in the top 20% for the five years, with an annualized 21.5%.

Stock selection in the $115 million Barnett equity fund is based on a quantitative bottom-up, value-oriented approach, he said.

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# Delaware Trust leads bond pools

**By Trudy Ring**

A newcomer to Pensions & Investments' Performance Evaluation Report topped all bank and insurance company pooled fixed-income funds in 1986.

Delaware Trust Co., Wilmington, Del., which had not participated in the report before, had a 24.4% return on its employee benefit income fund in 1986. It also led all bond funds for the fourth quarter, with an 8% return, and placed among the top four funds in the three- and five-year periods covered by PIPER. The fund is too new for the 10-year period.

Among the others registering stellar performance for most periods of the survey were United Bank of Denver, First Interstate Bank of Denver and Life Insurance Co. of Virginia, Richmond. All are repeaters among top PIPER performers. The PIPER fixed-income universe comprises 284 funds.

Delaware Trust, the two Denver banks and Life of Virginia have divergent fixed-income investment strategies, although they all tended to be in the intermediate maturity range at the end of the year. This is a change from the past few quarters, when the top performers generally were in very long bonds. Many managers have shortened the maturities of their portfolios to shorten their interest rate exposure as rates have come down.

While these and some other bond funds achieved good performance, a majority of the PIPER participants underperformed market indexes. For calendar 1986, the median PIPER bond fund returned 14.2%, while the Shearson Lehman Government/Corporate bond index returned 15.6%. For the fourth quarter, the median fund and the index both returned 3.1%.

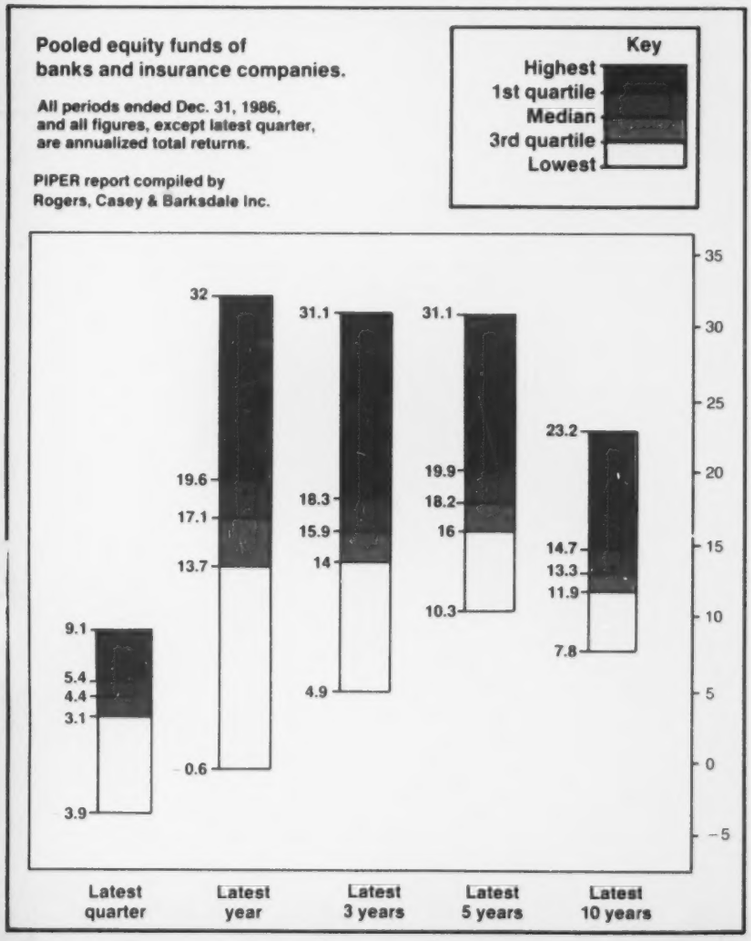
In the three years ended Dec. 31, the median bond fund had a compound annual return of 15.8%, while the index returned 17.3%. For the five-year period, the median fund's annualized return was 16.7% and the benchmark's, 17.9%. For the 10-year period, the median was 10% and the index, 10.4%.

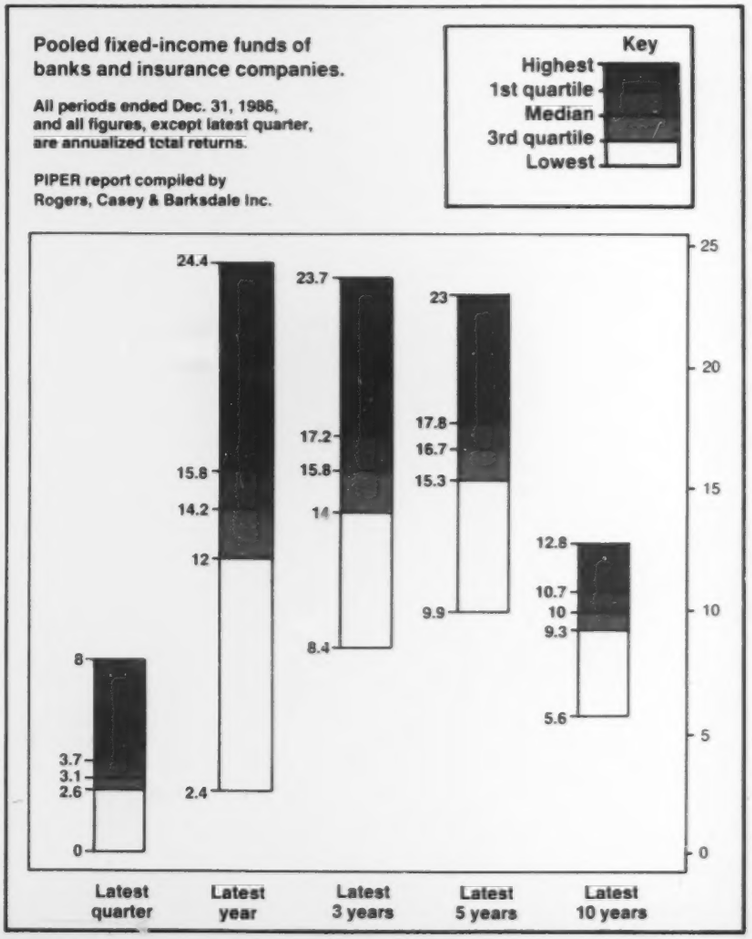
Delaware Trust managed superior performance in all periods in which its pooled bond fund existed. The fund was launched about seven years ago. It now has assets of $18.9 million.

Its compound annual return for the three years ended Dec. 31 was 21.9%, placing it third among all funds. For the five-year period, its annualized return was 21.6%, putting it fourth.

The fund stays in the middle of the bond market's maturity range and stays fully invested, said

*Continued on page 26*



# Equity performance

## cumulative periods ended 12/31/86

| | No. of years 1 | 5 | 10 | DCR |
|---|---|---|---|---|
| | | % | | |
| Aetna Life & Cas., Conn. | 13.6 | 18.5 | 15.7 | 2 |
| Alaska Pacific Trust | 17.7 | 17.8 | (1) | — |
| Allied Bank, Texas | 20.1 | 18.0 | 12.6 | 7 |
| American Fletcher, Ind. | 12.2 | 18.4 | 11.8 | 8 |
| American National, Minn. | 17.9 | 13.5 | 10.3 | 10 |
| American Natl. Bank, Ind. | 17.7 | 18.3 | 12.4 | 7 |
| American Natl. Bank (Growth), Ind. | 23.9 | 18.9 | 12.4 | 7 |
| American Natl. Bank, Tenn. | 20.0 | 18.9 | 12.8 | 6 |
| American Natl. (Active), Chicago | 18.1 | 21.1 | 19.2 | 1 |
| American Natl. (S&P 500), Chicago | 18.5 | 19.9 | 13.7 | 5 |
| American Security, D.C. | 10.0 | 14.0 | 11.7 | 9 |
| AmeriTrust, Ohio | 16.3 | 20.1 | 13.6 | 5 |
| AmSouth, Ala. | 10.5 | 20.7 | 15.6 | 2 |
| Associated Kellogg, Wis. | 21.9 | 15.4 | 12.8 | 6 |
| Associated Manitowoc, Wis. | 21.6 | 19.2 | 11.7 | 8 |
| BancTexas, Dallas | 17.3 | 15.2 | 11.9 | -8 |
| Bank IV Wichita, Kan. | 18.2 | 13.0 | 11.3 | 9 |
| Bank of America, Calif. | 18.3 | (1) | (1) | — |
| Bank of California (EB Inc. & Gro.) | 21.7 | 20.0 | 12.8 | 6 |
| Bank of California (Income) | 24.3 | (1) | (1) | — |
| Bank of Delaware | 29.0 | 19.6 | 14.3 | 4 |
| Bank of New England, Mass. | 22.0 | (1) | (1) | — |
| Bank of New York | 17.3 | 14.4 | 10.6 | 10 |
| Bank of Oklahoma, Tulsa | 16.9 | 16.3 | 13.7 | 4 |
| Bank of the West, Calif. | 24.0 | 21.4 | (1) | — |
| Bank of Tokyo, N.Y. | 20.4 | 19.4 | 15.0 | 3 |
| Bank of Virginia | 21.9 | 22.1 | 16.2 | 2 |
| Bank One Trust, Columbus, Ohio | 17.2 | 16.0 | 11.5 | 9 |
| Bankers Trust, N.Y. | 15.5 | 17.8 | 13.6 | 5 |
| Bankers Trust (Index), N.Y. | 18.3 | 20.2 | (1) | — |
| Barnett Banks Trust Co., Fla. | 27.9 | 21.5 | (1) | — |
| Bessemer Trust, N.Y. | 16.3 | 17.8 | 17.3 | 1 |
| Beverly Bank, Ill. | 12.4 | 12.0 | 11.9 | 8 |
| Boatmen's FNB, K.C., Mo. | 18.3 | 16.8 | 12.8 | 6 |
| Boatmen's National, Mo. | 14.5 | 13.8 | 10.4 | 10 |
| Boston Safe Deposit, Mass. | 17.9 | 19.4 | 12.3 | 7 |
| Branch Bank & Trust, N.C. | 11.8 | 17.2 | (1) | — |
| Calcasieu Marine Natl., La. | 17.1 | (1) | (1) | — |
| California First Bank | 14.9 | 16.8 | 11.0 | 9 |
| Central Bank Denver, Colo. | 3.2 | 11.7 | 8.6 | 10 |
| Central Bank, Monroe, La. | 18.2 | (1) | (1) | — |
| Central Fidelity, Va. | 18.1 | 19.0 | 13.8 | 4 |
| Central Penn, Pa. | 17.7 | 19.1 | 13.5 | 5 |
| Chase Manhattan, N.Y. | 16.4 | 18.3 | 13.2 | 6 |
| Chemical Bank (No. 1), N.Y. | 19.8 | 15.1 | 12.9 | 6 |
| Chemical Bank (No. 2), N.Y. | 14.6 | (1) | (1) | — |
| Chicago Title & Trust, Ill. | 14.7 | 17.9 | 14.3 | 4 |
| CIGNA Corp., Conn. | 15.1 | 16.2 | 14.7 | 3 |
| Citicorp, N.Y. | 19.5 | 19.0 | 14.1 | 4 |
| Citizens Chillicothe, Mo. | 19.2 | 15.0 | 18.9 | 1 |
| Citizens Fidelity, Ky. | 21.7 | 19.8 | 13.9 | 4 |
| Citizens & Southern, Ga. | 24.1 | 16.4 | 12.3 | 7 |
| Citytrust, Conn. | 19.9 | 20.4 | 14.7 | 3 |
| CNA Insurance (Acct. A), Ill. | 13.6 | 15.1 | 10.9 | 9 |
| CREF | 22.0 | 20.9 | 14.3 | 4 |
| Colorado National Bank | 18.9 | 21.7 | 15.0 | 3 |
| Comerica Bank, Mich. | 19.4 | 18.2 | 12.5 | 7 |
| Commerce Bank, St. Louis | 25.0 | 17.5 | 13.4 | 5 |
| Commerce Bank, K.C., Mo. | 18.9 | 15.8 | 11.0 | 9 |
| Commonwealth Natl. (E), Pa. | 19.3 | 17.7 | 13.5 | 5 |
| Confederation Life, Ont. | 12.7 | 19.3 | 17.2 | 1 |
| Connecticut Bank & Trust | 12.3 | 19.1 | 13.1 | 6 |
| Connecticut Mutual Life | 13.3 | 19.1 | 13.1 | 6 |
| Connecticut Mutual Life (Select) | 14.1 | (1) | (1) | — |
| Connecticut National Bank | 16.9 | 14.6 | 11.5 | 9 |
| Continental Bancorp, Pa. | 17.3 | 19.0 | 16.6 | 1 |
| Continental Illinois | 18.7 | 15.5 | 11.9 | 8 |
| Crown Life, Ont. | 14.5 | 14.4 | 12.0 | 8 |
| Cullen Bank, Texas | 24.3 | 20.2 | 13.6 | 5 |
| C&S Trust Florida | 20.0 | 21.1 | 16.2 | 2 |
| Dauphin Deposit, Pa. | 22.3 | 22.3 | (1) | — |
| Dominion Trust, Va. | 21.8 | 19.6 | 13.6 | 5 |
| Employers Life of Wausau (1), Wis. | 14.6 | 14.2 | 15.9 | 2 |
| Equibank, Pa. | 7.4 | 13.7 | 8.6 | 10 |
| Equitable Bank, Md. | 9.4 | 15.7 | 13.1 | 6 |
| Equitable Life (No. 1), N.Y. | 11.8 | 15.7 | 12.4 | 7 |
| Equitable Life (No. 4), N.Y. | 14.4 | 17.9 | 16.2 | 2 |
| Equitable Life (No. 18), N.Y. | 15.1 | 17.6 | 15.1 | 3 |
| Fidelity Bank, Pa. | 6.7 | 15.6 | 10.2 | 10 |
| Fidelity Mgmt. (Earnings Gro.), Mass. | 16.9 | (1) | (1) | — |
| Fidelity Mgmt. (Income), Mass. | 19.0 | 24.9 | (1) | — |
| Fifth Third Bank, Ohio | 17.6 | 19.1 | 15.9 | 2 |
| First Alabama Bank (I), Ala. | 23.0 | 20.0 | 13.2 | 6 |
| First Alabama, Mobile | 10.8 | 18.3 | 12.1 | 8 |
| First Bank Milwaukee | 20.5 | 20.6 | 13.5 | 5 |
| First Citizens, N.C. | 16.1 | 17.6 | (1) | — |
| First City Dallas | 8.6 | 14.5 | 9.3 | 10 |
| First City Natl., Houston | 20.7 | 17.1 | 13.9 | 4 |
| First Florida Bank | 14.6 | 18.3 | (1) | — |
| First in Bartlesville, Okla. | 13.4 | 18.7 | 12.6 | 7 |
| First in Wichita, Kan. | 16.7 | (1) | (1) | — |
| First Interstate Billings, Mont. | 15.4 | (1) | (1) | — |
| First Interstate of Ariz. | 12.4 | 17.1 | 11.7 | 8 |
| First Interstate of Calif. | 18.6 | 13.9 | 10.6 | 10 |
| First interstate of Denver (Value) | 19.8 | 24.8 | (1) | — |
| First Interstate of Denver | 17.3 | 17.1 | 17.7 | 1 |
| First Interstate of Nevada | 9.3 | 10.3 | 15.7 | 2 |
| First Interstate of Okla. | 19.5 | 22.5 | 17.1 | 1 |
| First Interstate of Oregon | 17.7 | 24.2 | 15.6 | 2 |
| First Interstate of Wash. | 19.4 | 18.3 | 15.2 | 3 |
| First Jersey Natl., N.J. | 12.0 | 18.1 | 14.4 | 3 |
| First Kentucky Trust | 18.1 | 19.7 | 13.6 | 5 |
| First Midwest, Moline, Ill. | 9.3 | 11.1 | 11.5 | 9 |
| First Natl., Lincoln, Neb. | 19.4 | 18.4 | 14.8 | 3 |
| First Natl. of Tulsa, Okla. | 14.7 | 13.8 | 10.7 | 9 |
| First of America (Value), Mich. | 20.8 | (1) | (1) | — |
| First of America, Mich. | 22.0 | 22.6 | 15.7 | 2 |
| First of Boston, Mass. | 17.5 | (1) | (1) | — |
| First of Chicago | 16.0 | 17.7 | 12.2 | 7 |
| First of Cincinnati | 13.6 | 15.7 | 11.5 | 9 |
| First of Elgin (A), Ill. | 14.4 | (1) | (1) | — |
| First of Elgin (C), Ill. | 12.6 | 14.9 | 12.2 | 7 |
| First of Kenosha, Wis. | 3.7 | 10.6 | 10.5 | 10 |
| First of Maryland | 19.5 | 17.2 | 14.0 | 4 |
| First of Minneapolis | 13.9 | 15.9 | 10.6 | 10 |
| First of Neenah, Wis. | 20.5 | 19.9 | 14.0 | 4 |
| First of Neenah, Wis. | 19.4 | 18.0 | 14.2 | 4 |
| First of Omaha, Neb. | 20.0 | 22.8 | 17.1 | 1 |
| First of Shreveport, La. | 10.8 | 14.2 | (1) | — |
| First of Toledo, Ohio | 17.0 | 14.0 | 10.4 | 10 |
| First Pennsylvania Bank | 6.3 | 16.9 | 13.3 | 6 |
| First Security Natl. (D), Ky. | 22.6 | 21.1 | (1) | — |
| First Tennessee Memphis | 13.9 | 18.6 | 13.7 | 5 |
| First Trust Co., Minn. | 6.0 | 15.4 | 11.9 | 8 |
| First Trust Corp., Colo. | 20.5 | 20.4 | 18.4 | 1 |
| First Union Bank, N.C. | 19.6 | 25.3 | 18.0 | 1 |
| First United Trust Co., Ill. | 10.6 | 14.8 | 10.2 | 10 |
| First Variable Life, Ark. | 6.1 | 21.3 | 16.1 | 2 |
| First Wis. Natl., Madison | 12.8 | 19.5 | 19.5 | 1 |
| First Wisconsin Trust (Div.) | 13.6 | 15.5 | 12.3 | 7 |
| First Wisconsin Trust (Income) | 20.2 | 21.7 | 14.2 | 4 |
| Frost National, Texas | 20.2 | 19.7 | 10.2 | 10 |
| Gary Wheaton Bank, Ill. | 14.4 | 19.7 | 13.3 | 5 |
| Gary Wheaton Bank (Hedged), Ill. | 15.7 | (1) | (1) | — |
| Great West Life, Manitoba | 18.3 | 18.3 | 12.3 | 7 |
| Greeley National, Colo. | 12.2 | 12.0 | 9.5 | 10 |
| Guardian Insurance, N.Y. | 18.9 | 24.0 | 19.9 | 1 |
| Hamilton Bank, Pa. | 23.1 | 17.6 | 14.4 | 4 |
| Harris Trust, Ill. | 26.4 | 20.7 | 13.1 | 6 |
| Harris Trust (Low p/e), Ill. | 20.6 | (1) | (1) | — |
| Hawaiian Trust | 21.0 | 15.8 | 12.7 | 7 |
| Hibernia National, La. | 15.0 | 14.2 | 11.9 | 8 |
| Home Life, N.Y. | 18.6 | 18.3 | 16.1 | 2 |
| HT Investors, R.I. | 18.8 | 18.8 | 13.3 | 5 |
| IAA Trust Co. (C), Ill. | 10.6 | 17.3 | 14.7 | 3 |
| Imperial Trust Co., Calif. | 14.6 | (1) | (1) | — |
| Indiana National Bank | 18.3 | 15.5 | 12.0 | 8 |
| Interfirst Bank Dallas | 12.1 | 15.9 | 12.6 | 7 |
| Interfirst Bank Dallas (Income) | 27.5 | (1) | (1) | — |
| Irving Trust, N.Y. | 17.6 | 20.0 | 13.0 | 6 |
| Jefferson Trust, Ill. | 10.7 | 16.4 | 11.8 | 8 |
| John Hancock (1K), Mass. | 16.7 | 19.3 | (1) | — |
| John Hancock (1L), Mass. | 13.2 | 19.9 | (1) | — |
| Key Trust Co., N.Y. | 20.3 | 17.9 | 12.2 | 7 |
| Lake Shore Natl., Ill. | 21.1 | 23.3 | 15.4 | 2 |
| LaSalle Natl. (Core), Ill. | 15.6 | (1) | (1) | — |
| LaSalle Natl. (Intrinsic), Ill. | 14.5 | (1) | (1) | — |
| Liberty National, Ky. | 18.3 | (1) | (1) | — |
| Liberty National, Okla. | 15.1 | 16.7 | 14.4 | 3 |
| Lincoln Natl. Pens. (Growth), Ind. | 17.0 | 17.7 | (1) | — |
| Lincoln Natl. Pens. (Select), Ind. | 17.9 | (1) | (1) | — |
| Lloyds Bank, Calif. | 17.9 | 16.6 | 12.0 | 8 |
| Long Island Trust, N.Y. | 20.0 | 14.8 | 12.2 | 8 |
| Manufacturers Hanover, N.Y. | 18.7 | 15.0 | 12.7 | 7 |
| Manufacturers Life, Ont. | 1.1 | 25.1 | 23.2 | 1 |
| Marine Bank, Pa. | 13.5 | 16.0 | (1) | — |
| Marine Midland, N.Y. | 12.5 | 22.0 | (1) | — |
| Marquette Bank, Minn. | 10.9 | 10.8 | 7.8 | 10 |
| Maryland National | 19.0 | 14.3 | 10.6 | 10 |
| Massachusetts Mutual | 20.9 | 21.3 | 16.3 | 2 |
| MBank, Austin, Texas | 10.4 | 12.1 | 8.4 | 10 |
| Mellon Bank, Pa. | 22.0 | 20.6 | 12.8 | 6 |
| Mercantile Bank, Mo. | 19.5 | 16.8 | 13.4 | 5 |
| Mercantile Natl., Ind. | 17.2 | 15.3 | (1) | — |
| Mercantile Safe, Md. | 13.2 | 20.4 | 14.0 | 4 |
| Merchants Natl. (Fund 2), Ind. | 16.9 | 18.9 | 13.7 | 4 |
| Merchants Natl. (No. 1), Ind. | 8.0 | 16.3 | 11.6 | 9 |
| Merchants Natl., Pa. | 13.9 | 14.7 | (1) | — |
| Metropolitan Life (No. 40), N.Y. | 10.6 | (1) | (1) | — |
| Mich. Natl. of Grand Rapids | 20.8 | 14.9 | 10.4 | 10 |
| Midland National, N.J. | 13.7 | 19.5 | (1) | — |
| Mid-State Bancorp., Pa. | 13.8 | 18.5 | (1) | — |
| Minnesota Mutual | -0.6 | 15.1 | 12.0 | 8 |
| Morgan Guaranty, N.Y. | 17.9 | 19.2 | (1) | — |
| MTrust (Growth), Texas | 14.4 | 19.5 | 16.2 | 2 |
| MTrust (Value), Texas | 15.1 | 23.7 | 16.5 | 2 |
| Mutual Benefit, N.J. | 19.9 | 22.9 | 14.6 | 3 |
| Mutual of America (No. 1), N.Y. | 11.2 | 17.5 | (1) | — |
| Mutual of America (No. 2), N.Y. | 13.7 | (1) | (1) | — |
| Mutual of New York (Growth) | 13.4 | 16.4 | 11.3 | 9 |
| Mutual of New York (Income) | 20.7 | 20.9 | (1) | — |
| Mutual Service Life, Minn. | 12.8 | (1) | (1) | — |
| National Bank of Detroit | 16.5 | 17.5 | 10.9 | 9 |
| Natl. Bank of Commerce, Neb. | 21.7 | 18.9 | 17.6 | 1 |
| Natl. Bank of Commerce, Tenn. | 19.6 | 21.8 | (1) | — |
| Natl. City Cleveland | 15.4 | 19.1 | 15.5 | 2 |
| NCNB Natl. Bank, N.C. | 22.4 | 14.7 | 12.5 | 7 |
| New England Mutual, Mass. | 20.4 | 19.2 | 13.4 | 5 |
| New England Mutual (Growth), Mass. | 16.6 | 23.3 | 17.5 | 1 |
| New Jersey National | 18.4 | 22.1 | 14.2 | 4 |
| New York Life Insurance (Acct. 1) | 6.5 | 17.1 | 11.2 | 9 |
| Norstar Trust Co., N.Y. | 10.5 | 18.7 | 14.5 | 3 |
| Northern Central, Pa. | 19.7 | (1) | (1) | — |
| Northern States Trust, Ill. | 15.7 | (1) | (1) | — |
| Northern Trust, Ill. | 18.2 | 18.7 | 12.9 | 6 |
| Old Kent, Mich. | 7.8 | 18.8 | 12.3 | 7 |
| Old Second Natl., Ill. | 19.7 | 16.4 | 12.9 | 6 |
| Oregon Bank | 14.1 | 18.7 | 12.3 | 7 |
| Ouachita Natl., La. | 15.4 | 11.6 | 10.9 | 9 |
| Pacific Mutual, Calif. | 16.6 | 12.7 | 11.7 | 8 |
| Penn Mutual Life (Acct. A), Pa. | 15.2 | 18.1 | 15.2 | 3 |
| Philadelphia National | 15.2 | 19.0 | 15.6 | 2 |
| Phoenix Mutual, Conn. | 17.2 | 17.0 | 14.6 | 3 |
| Pioneer Bank, Ill. | 10.7 | 20.0 | (1) | — |
| Pittsburgh National, Pa. | 13.6 | 12.8 | 10.9 | 9 |
| Pittsburgh Natl. (QMS), Pa. | 19.9 | 17.9 | (1) | — |
| Planters National (B), N.C. | 8.4 | 16.3 | 11.8 | 8 |
| Principal Mutual Life, Iowa | 18.2 | 20.1 | 16.6 | 1 |
| Provident Bank, Ohio | 13.6 | 13.1 | 10.6 | 10 |
| Provident National, Pa. | 18.1 | 23.0 | 17.5 | 1 |
| Prudential (PRIDEX), N.J. | 16.1 | 18.0 | (1) | — |
| Prudential (PRIFORM), N.J. | 16.0 | 21.6 | (1) | — |
| Puget Sound Natl., Wash. | 25.9 | 16.9 | 12.9 | 6 |
| RCB Trust Co., Conn. | 12.9 | (1) | (1) | — |
| RepublicBank, Dallas | 26.1 | 23.2 | 15.4 | 2 |
| Resource Bank & Trust, Minn. | 1.6 | 17.9 | (1) | — |
| Riggs of Washington | 18.7 | 17.9 | 12.4 | 7 |
| Seafirst Bank, Wash. | 18.2 | 13.1 | 12.1 | 8 |
| Seattle Trust, Wash. | 15.8 | 20.0 | 12.9 | 6 |
| Security Natl., W. Va. | 12.2 | 15.2 | (1) | — |
| Security Pacific (E), Calif. | 21.3 | 17.4 | (1) | — |
| Security Pacific (Income B), Calif. | 20.5 | 20.0 | (1) | — |
| Sentry Life (B), Wis. | 14.8 | 16.7 | 13.4 | 5 |
| Sentry Life (E), Wis. | 13.9 | (1) | (1) | — |
| Shawmut Bank, Mass. | 13.4 | 19.3 | (1) | — |
| Society National, Ohio | 17.4 | 20.9 | 13.6 | 5 |
| South Carolina National | 26.9 | (1) | (1) | — |
| Southeast Bank, Fla. | 17.4 | 20.9 | 13.8 | 4 |
| Sovran Bank, Va. | 19.8 | 19.8 | 13.1 | 6 |
| State Natl., Evanston, Ill. | 21.3 | 18.6 | 16.4 | 2 |
| State Street Bank, Mass. | 19.5 | 19.5 | 14.6 | 3 |
| State Street Bank (S&P 500), Mass. | 18.5 | 19.7 | (1) | — |
| State Street Bank (Value I), Mass. | 27.2 | (1) | (1) | — |
| State Street Bank (Value II), Mass. | 24.5 | (1) | (1) | — |
| Summit Bank, Ind. | 15.4 | 17.1 | 11.7 | 9 |
| Summit Trust Co., N.J. | 12.2 | 17.1 | 9.3 | 10 |
| Sun Bank, Fla. | 32.0 | 31.1 | 19.0 | 1 |
| Texas Commerce | 15.2 | 19.7 | 15.3 | 3 |
| Third Natl., Nashville | 14.3 | 12.9 | 11.2 | 9 |
| Toledo Trust, Ohio | 18.4 | 18.8 | 11.8 | 8 |
| Unibanctrust, Ill. | 15.7 | 16.6 | 14.6 | 3 |
| Union Central, Ohio | 12.9 | 18.6 | 13.4 | 5 |
| Union Natl., Wichita, Kan. | 11.7 | 13.3 | 11.5 | 9 |
| Union Trust Baltimore (D), Md. | 17.9 | 17.9 | 13.4 | 5 |
| United Carolina Bank, N.C. | 16.2 | 18.3 | (1) | — |
| United Missouri, K.C. | 15.0 | 17.9 | 12.9 | 6 |
| United of Denver | 0.9 | 18.7 | 14.5 | 3 |
| US Natl. of Galveston | 17.9 | 22.2 | 18.2 | 1 |
| US Natl. of Oregon | 14.8 | 19.9 | 17.8 | 1 |
| Valley Fidelity, Tenn. | 13.7 | 17.1 | 14.8 | 3 |
| Valley National, Ariz. | 12.8 | 19.2 | 11.3 | 9 |
| Wachovia Bank, N.C. | 18.5 | 17.7 | 12.1 | 8 |
| Wachovia Bank (Mgmt.), N.C. | 10.5 | (1) | (1) | — |
| Wells Fargo (Index), Calif. | 18.5 | 20.0 | 13.9 | 4 |
| Wells Fargo (T&T), Calif. | 20.1 | (1) | (1) | — |
| Wheeling Dollar Bank, W. Va. | 13.3 | 18.8 | 15.1 | 3 |
| Wilmington Trust, Del. | 16.9 | 18.1 | 12.9 | 6 |
| **Standard & Poor's 500** | **18.7** | **19.9** | **13.9** | **4** |

# Fixed-income performance

## cumulative periods ended 12/31/86

| | No. of years | | | |
|---|---|---|---|---|
| | 1 | 5 | 10 | DCR |
| | | % | | |
| Aetna Life & Cas. (SA 76), Conn. | 14.1 | 17.3 | (1) | — |
| Alaska Pacific Trust | 12.6 | 14.7 | (1) | — |
| American Fletcher, Ind. | 13.8 | 16.4 | 9.5 | 8 |
| American Fletcher (Inter.), Ind. | 12.0 | 14.0 | 9.1 | 9 |
| American Natl., Minn. | 15.0 | 18.2 | 10.8 | 3 |
| American Natl. Bank, Ind. | 15.7 | 14.7 | 10.6 | 3 |
| American Natl. Bank (Income), Ind. | 14.3 | 12.6 | 9.6 | 7 |
| American Natl. Bank, Tenn. | 15.4 | 17.4 | 11.3 | 2 |
| American Security, D.C. | 17.6 | 20.2 | 12.2 | 1 |
| AmeriTrust, Ohio | 13.9 | 16.0 | 9.5 | 8 |
| AmeriTrust (Reserve), Ohio | 11.0 | 12.9 | 11.0 | 2 |
| AmSouth (Bond), Ala. | 16.2 | 19.9 | 9.0 | 9 |
| AmSouth, Ala. | 11.5 | 12.6 | (1) | — |
| Associated Kellogg, Wis. | 11.8 | 15.0 | 9.7 | 7 |
| Associated Manitowoc, Wis. | 16.9 | 17.7 | 10.7 | 3 |
| BancTexas, Dallas | 12.9 | 14.6 | 10.1 | 5 |
| Bank IV Wichita, Kan. | 11.4 | 16.2 | 12.6 | 1 |
| Bank of America, Calif. | 14.7 | 16.8 | 9.2 | 9 |
| Bank of California | 15.3 | 18.7 | 10.5 | 4 |
| Bank of New England, Mass. | 15.9 | 17.2 | 11.4 | 2 |
| Bank of New York | 11.6 | 18.0 | 10.2 | 5 |
| Bank of Oklahoma, Tulsa | 12.5 | 16.6 | 8.7 | 10 |
| Bank of Tokyo, N.Y. | 13.6 | 15.4 | (1) | — |
| Bank One Trust, Ohio | 14.9 | 14.2 | 9.2 | 9 |
| Bankers Trust, N.Y. | 16.2 | 18.1 | 10.8 | 3 |
| Bankers Trust (B), N.Y. | 14.9 | 15.4 | 11.0 | 2 |
| Bessemer Trust, N.Y. | 15.3 | 16.8 | 10.9 | 3 |
| Beverly Bank, Ill. | 15.8 | 19.3 | 12.4 | 1 |
| Boatmen's FNB, K.C., Mo. | 15.2 | 16.0 | (1) | — |
| Boatmen's National, Mo. | 15.9 | 17.0 | 11.3 | 2 |
| Calcasieu Marine Natl., La. | 12.7 | (1) | (1) | — |
| California First Bank | 13.5 | 18.0 | 10.1 | 5 |
| Central Bank Denver | 8.3 | 9.9 | 6.9 | 10 |
| Central Bank Monroe, La. | 12.0 | (1) | (1) | — |
| Central Fidelity, Va. | 15.0 | 18.7 | 11.5 | 2 |
| Central Penn, Pa. | 12.7 | 16.6 | (1) | — |
| Chase Manhattan (A), N.Y. | 16.6 | 16.9 | 9.6 | 7 |
| Chase Manhattan (Inter.), N.Y. | 16.6 | (1) | (1) | — |
| Chase Manhattan (Long-term), N.Y. | 21.3 | (1) | (1) | — |
| Chase Manhattan (Sec. Mtg.), N.Y. | 12.6 | (1) | (1) | — |
| Chase Manhattan (Short Inter.), N.Y. | 10.9 | (1) | (1) | — |
| Chemical Bank (1), N.Y. | 15.3 | 17.0 | 9.3 | 8 |
| Chemical Bank (2), N.Y. | 16.4 | (1) | (1) | — |
| Chicago Title & Trust | 15.2 | 16.6 | 9.9 | 6 |
| CIGNA Corp. (Inter.), Conn. | 12.8 | 18.7 | (1) | — |
| CIGNA Corp. (Pub. traded), Conn. | 18.6 | 20.1 | 11.1 | 2 |
| Citicorp, N.Y. | 16.3 | 19.7 | 10.8 | 3 |
| Citizens Com. & Savings, Mich. | 15.1 | 17.9 | 10.2 | 4 |
| Citizens Fidelity, Ky. | 13.6 | 16.5 | 10.4 | 4 |
| Citizens & Southern, Ga. | 15.3 | 16.3 | 8.8 | 10 |
| Citytrust, Conn. | 14.4 | 17.7 | 9.9 | 6 |
| Colonial Amer. Natl., Va. | 14.6 | 18.2 | 10.6 | 3 |
| Colorado National Bank | 15.5 | 19.5 | 10.4 | 4 |
| Comerica Bank, Mich. | 17.9 | 17.4 | 10.4 | 4 |
| Comerica Bank (Inter.), Mich. | 12.8 | (1) | (1) | — |
| Commerce Bank St. Louis | 12.5 | 14.4 | 10.1 | 5 |
| Commerce Bank, K.C., Mo. | 8.5 | 15.4 | 9.1 | 9 |
| Commerce Union, Tenn. | 9.0 | 17.7 | 10.5 | 4 |
| Commonwealth National, Pa. | 11.0 | 16.4 | 9.4 | 8 |
| Confederation Life, Ont. | 15.0 | 17.8 | 9.3 | 8 |
| Connecticut Bank & Trust | 16.5 | 15.5 | 8.4 | 10 |
| Connecticut Natl. Bank | 20.3 | 20.4 | 11.1 | 2 |
| Connecticut Natl. Bank (Inter.) | 17.4 | (1) | (1) | — |
| Continental Bancorp, Pa. | 13.5 | 12.4 | 8.0 | 10 |
| Continental Illinois | 16.7 | 16.0 | 9.1 | 9 |
| Continental Illinois (Inter.) | 13.5 | 14.7 | (1) | — |
| Crown Life, Ont. | 13.9 | 16.0 | 8.9 | 9 |
| Cullen Bank, Texas | 11.3 | 16.2 | 11.0 | 2 |
| C&S Trust Florida | 14.6 | 16.7 | 10.7 | 3 |
| Dauphin Deposit (Corp), Pa. | 15.4 | 16.4 | (1) | — |
| Dauphin Deposit (Short term), Pa. | 9.3 | (1) | (1) | — |
| Delaware Trust Co., Del. | 24.4 | 21.6 | (1) | — |
| Equibank, Pa. | 10.2 | 14.8 | 9.2 | 8 |
| Equitable Bank, Md. | 14.7 | 14.9 | 8.9 | 9 |
| Equitable Life (No. 5), N.Y. | 22.2 | 19.4 | 9.5 | 8 |
| Exchange Natl. Bank, Ill. | 12.9 | 17.2 | 10.0 | 6 |
| Fidelity Bank, Pa. | 19.7 | 16.8 | 12.5 | 1 |
| Fifth Third Bank, Ohio | 15.2 | 16.5 | (1) | — |
| First Alabama, Mobile | 11.9 | 16.6 | 9.9 | 6 |
| First Bank Milwaukee | 14.7 | 16.8 | 11.0 | 2 |
| First Citizens, N.C. | 10.6 | 13.1 | (1) | — |
| First City Dallas | 14.4 | 15.9 | 9.3 | 8 |
| First City Natl. Houston | 16.7 | 17.6 | 9.6 | 7 |
| First in Bartlesville, Okla. | 10.8 | 14.1 | 10.1 | 5 |
| First in Wichita, Kan. | 13.8 | (1) | (1) | — |
| First Interstate of Arizona | 17.6 | 19.5 | 11.4 | 2 |
| First Interstate of Calif. | 14.5 | 18.3 | 11.7 | 1 |
| First Interstate of Denver | 23.1 | 22.1 | 11.9 | 1 |
| First Interstate of Nevada | 2.4 | 15.8 | (1) | — |
| First Interstate of Okla. | 10.1 | 15.1 | 7.7 | 10 |
| First Interstate of Oregon | 14.6 | 16.3 | 10.2 | 5 |
| First Interstate of Wash. | 15.3 | 17.1 | 10.0 | 6 |
| First Jersey National, N.J. | 15.1 | 17.7 | 12.1 | 1 |
| First Kentucky Trust | 16.6 | 20.0 | 11.7 | 1 |
| First Midwest, Moline, Ill. | 12.0 | 16.1 | 10.0 | 6 |
| First Natl., Jackson, Miss. | 11.1 | 14.0 | 10.0 | 6 |
| First Natl., Lincoln, Neb. | 13.7 | 16.9 | 10.1 | 5 |
| First Natl. of Tulsa, Okla. | 9.4 | 14.1 | 8.8 | 10 |
| First of America, Mich. | 12.9 | 13.6 | 8.8 | 10 |
| First of Boston, Mass. | 15.8 | 17.0 | 9.3 | 8 |
| First of Chicago | 15.9 | 19.2 | 10.4 | 4 |
| First of Chicago ($ fixed) | 15.1 | 19.3 | (1) | — |
| First of Cincinnati | 12.7 | 17.1 | 9.5 | 7 |
| First of Cincinnati (Inter.) | 9.8 | (1) | (1) | — |
| First of Elgin (D), Ill. | 7.9 | 11.6 | 8.9 | 10 |
| First of Elgin (D1), Ill. | 7.7 | 12.5 | (1) | — |
| First of Kenosha, Wis. | 6.5 | 10.0 | 5.6 | 10 |
| First of Maryland | 12.0 | 17.1 | 10.7 | 3 |
| First of Minneapolis | 10.0 | 14.7 | 8.8 | 10 |
| First of Neenah (Inter.), Wis. | 11.3 | 13.7 | 10.5 | 4 |
| First of Neenah (Long term), Wis. | 12.5 | 15.6 | 10.8 | 3 |
| First of Neenah (Mtg.), Wis. | 10.8 | 16.2 | (1) | — |
| First of Omaha (C), Neb. | 15.9 | 18.6 | 10.2 | 5 |
| First of Shreveport, La. | 12.4 | 16.4 | (1) | — |
| First of Toledo, Ohio | 10.9 | 15.0 | 10.1 | 5 |
| First Pennsylvania Bank | 15.6 | 12.6 | 8.9 | 9 |
| First Security Natl. (F), Ky. | 11.9 | (1) | (1) | — |
| First Tennessee Memphis | 16.4 | 17.4 | 9.8 | 7 |
| First Trust Co., Minn. | 14.9 | 16.3 | 10.0 | 6 |
| First Trust Corp., Colo. | 17.9 | 18.3 | 10.1 | 5 |
| First Union Bank, N.C. | 12.7 | 14.9 | 9.5 | 8 |
| First Union Bank (1), N.C. | 9.9 | (1) | (1) | — |
| First United Trust Co. (I), Ill. | 11.9 | 15.9 | 9.2 | 8 |
| First Variable Life, Ark. | 16.7 | 19.2 | (1) | — |
| First Wis. Natl., Madison | 16.9 | 20.2 | 11.7 | 1 |
| First Wisconsin Trust (Inter.) | 16.9 | 16.7 | 9.9 | 6 |
| First Wisconsin Trust (Passive) | 12.5 | (1) | (1) | — |
| Frost National, Texas | 14.4 | 17.6 | 9.2 | 8 |
| Gary Wheaton Bank, Ill. | 13.4 | 16.0 | 10.5 | 4 |
| Greeley National, Colo. | 11.9 | 15.3 | 10.2 | 5 |
| Hamilton Bank, Pa. | 14.3 | 18.1 | (1) | — |
| Harris Trust (Bond), Ill. | 15.7 | 17.4 | 9.2 | 9 |
| Harris Trust (Gain), Ill. | 13.3 | (1) | (1) | — |
| Hawaiian Trust | 18.9 | 18.7 | 10.3 | 4 |
| Hawaiian Trust (Defens.) | 9.8 | 11.9 | (1) | — |
| Hibernia National, La. | 15.0 | 17.2 | 12.1 | 1 |
| Home Life, N.Y. | 12.8 | (1) | (1) | — |
| HT Investors, R.I. | 14.6 | 15.9 | 9.2 | 9 |
| HT Investors (A), R.I. | 14.2 | (1) | (1) | — |
| IAA Trust Co., Ill. | 18.9 | 20.2 | 11.0 | 2 |
| Imperial Trust Co., Calif. | 14.9 | (1) | (1) | — |
| Indiana National Bank | 13.9 | 16.9 | 10.7 | 3 |
| Interfirst Bank Dallas | 13.6 | 17.5 | 10.0 | 6 |
| Interfirst Bank Dallas (Inter.) | 11.7 | 14.1 | (1) | — |
| Irving Trust, N.Y. | 12.4 | 17.6 | 10.0 | 6 |
| Jefferson Trust, Ill. | 11.8 | 13.3 | 10.6 | 3 |
| John Hancock, Mass. | 17.9 | 19.9 | 10.9 | 2 |
| Key Trust Co., N.Y. | 17.1 | 19.0 | 10.9 | 3 |
| LaSalle Natl. (Inter.), Ill. | 14.2 | 15.9 | 9.2 | 8 |
| LaSalle Natl. (Long term), Ill. | 18.4 | (1) | (1) | — |
| Liberty National, Ky. | 16.7 | 18.6 | 10.0 | 6 |
| Liberty National, Okla. | 12.2 | 17.1 | 8.5 | 10 |
| Life of Virginia | 15.7 | 21.7 | 12.5 | 1 |
| Lincoln Natl. Pens., Ind. | 16.1 | 17.9 | (1) | — |
| Lloyds Bank (C), Calif. | 16.2 | 19.2 | 11.1 | 2 |
| Long Island Trust, N.Y. | 13.6 | 14.6 | (1) | — |
| Manufacturers Hanover, N.Y. | 16.8 | 17.4 | 11.6 | 1 |
| Manufacturers Life, Ont. | 18.3 | 16.4 | (1) | — |
| Marine Bank, Pa. | 9.7 | 14.4 | (1) | — |
| Marine Midland, N.Y. | 14.7 | 18.5 | 9.8 | 7 |
| Maryland National | 13.7 | 15.4 | 8.6 | 10 |
| Maryland National (II) | 13.2 | 16.0 | (1) | — |
| Massachusetts Mutual | 14.9 | 17.4 | 10.5 | 4 |
| MBank, Austin, Texas | 8.8 | 14.0 | 10.2 | 5 |
| Mellon Bank, Pa. | 15.9 | 18.1 | 10.7 | 3 |
| Mercantile Bank, Mo. | 16.6 | 17.8 | 11.3 | 2 |
| Mercantile Natl., Ind. | 14.1 | 12.4 | (1) | — |
| Mercantile Safe, Md. | 14.7 | 16.0 | 10.2 | 5 |
| Mercantile Safe (Inter.), Md. | 12.3 | 14.5 | (1) | — |
| Merchants National, Ind. | 14.4 | 15.4 | 10.0 | 6 |
| Merchants National, Pa. | 15.0 | 16.8 | 11.4 | 2 |
| Metropolitan Life (No. 41), N.Y. | 19.5 | (1) | (1) | — |
| Michigan Natl. of Grand Rapids | 12.2 | 15.2 | 9.1 | 9 |
| Midlantic National, N.J. | 13.4 | 17.2 | 9.8 | 7 |
| Mid-State Bancorp., Pa. | 15.4 | 15.3 | (1) | — |
| Minnesota Mutual | 9.8 | 16.1 | 9.8 | 7 |
| Morgan Guaranty, N.Y. | 16.3 | 18.4 | 11.6 | 2 |
| MTrust, Texas | 16.2 | 17.5 | 9.0 | 9 |
| Mutual of New York (Priv. Place) | 12.8 | 18.7 | (1) | — |
| Mutual of N.Y. (Public) | 14.9 | 18.9 | (1) | — |
| Natl. Bank of Detroit | 15.1 | 17.8 | 10.3 | 4 |
| Natl. Bank of Commerce, Neb. | 16.0 | 18.8 | 9.7 | 7 |
| Natl. Bank of Commerce, Tenn. | 15.0 | 17.6 | (1) | — |
| Natl. City Cleveland | 13.3 | 16.7 | 9.3 | 8 |
| NCNB Natl. Bank, N.C. | 14.7 | 15.5 | 10.6 | 3 |
| New England Mutual, Mass. | 15.5 | 16.8 | 8.8 | 10 |
| New York Life Ins. (Acct. 4) | 13.4 | (1) | (1) | — |
| Norstar Trust Co., N.Y. | 13.5 | 17.3 | 10.0 | 6 |
| Northern Central, Pa. | 11.9 | 15.4 | (1) | — |
| Northern Trust, Ill. | 16.6 | 17.6 | 10.0 | 6 |
| Northern Trust (Inter.), Ill. | 10.9 | 13.9 | (1) | — |
| Old Kent, Mich. | 12.4 | 14.7 | 8.9 | 10 |
| Old Second Natl., Ill. | 13.1 | 15.9 | 9.6 | 7 |
| Old Second Natl. (HR 10), Ill. | 12.2 | 15.3 | 9.8 | 7 |
| Oregon Bank | 13.6 | 16.0 | 10.9 | 3 |
| Ouachita Natl., La. | 13.2 | 14.0 | 10.1 | 5 |
| Pacific Mutual, Calif. | 16.2 | 19.3 | 12.3 | 1 |
| Philadelphia Natl., Pa. | 17.0 | 18.3 | 10.4 | 4 |
| Phoenix Mutual, Conn. | 15.9 | (1) | (1) | — |
| Pioneer Bank, Ill. | 12.0 | 16.0 | (1) | — |
| Pittsburgh National | 11.7 | 14.9 | 10.3 | 4 |
| Principal Mutual Life, Iowa | 17.4 | (1) | (1) | — |
| Provident National, Pa. | 16.5 | 17.1 | 10.1 | 5 |
| Puget Sound Natl., Wash. | 9.3 | 12.9 | 9.2 | 9 |
| RCB Trust Co. (Core), Conn. | 13.3 | (1) | (1) | — |
| RCB Trust Co. (Special), Conn. | 6.1 | (1) | (1) | — |
| RepublicBank, Dallas | 18.5 | 18.4 | 9.9 | 6 |
| Riggs of Washington | 11.7 | 16.4 | 10.5 | 4 |
| **Salomon Broad Bond Index** | **15.5** | **18.2** | **(1)** | **—** |
| Seafirst Bank, Wash. | 15.1 | 17.3 | 12.0 | 1 |
| Seattle Trust, Wash. | 10.3 | 13.8 | 9.4 | 8 |
| Security Natl., W. Va. | 14.4 | 14.6 | (1) | — |
| Sentry Life (Acct. D), Wis. | 14.6 | (1) | (1) | — |
| Shawmut Bank, Mass. | 15.9 | 17.8 | (1) | — |
| Shawmut Bank (Inter.), Mass. | 11.6 | 13.8 | (1) | — |
| Society National, Ohio | 15.3 | 19.9 | 10.5 | 4 |
| South Carolina National | 12.1 | (1) | (1) | — |
| Southeast Bank, Fla. | 14.1 | 16.3 | 9.9 | 7 |
| Sovran Bank, Va. | 16.0 | 19.1 | 12.7 | 1 |
| State National, Evanston | 10.1 | 15.1 | 9.3 | 8 |
| State Street Bank, Mass. | 14.4 | 18.3 | 10.1 | 5 |
| Summit Bank, Ind. | 10.1 | 13.1 | 8.2 | 10 |
| Summit Trust Co., N.J. | 12.3 | 14.6 | 10.0 | 6 |
| Sun Bank, Fla. | 17.2 | 17.5 | 10.1 | 5 |
| Texas Commerce | 14.6 | 17.5 | 11.9 | 1 |
| Texas Commerce (Low Vol.) | 11.7 | (1) | (1) | — |
| Third National, Nashville | 11.7 | 14.0 | 9.1 | 9 |
| Toledo Trust, Ohio | 14.1 | 17.6 | 10.9 | 3 |
| Travelers (Acct. D), Conn. | 11.9 | 17.7 | (1) | — |
| Travelers (Acct. P), Conn. | 19.6 | 18.8 | (1) | — |
| Unibanctrust, Ill. | 8.7 | 14.7 | 9.7 | 7 |
| Union Central, Ohio | 16.7 | 15.5 | 9.1 | 9 |
| Union Natl., Wichita, Kan. | 14.1 | 15.8 | 9.7 | 7 |
| Union Trust, Baltimore, Md. | 12.3 | (1) | (1) | — |
| United Mercantile (A), Calif. | 10.3 | (1) | (1) | — |
| United Missouri, K.C. | 12.0 | 15.0 | 9.7 | 7 |
| United of Denver | 21.2 | 23.0 | 12.8 | 1 |
| US Natl. of Oregon | 14.7 | 17.9 | 9.1 | 9 |
| Valley Fidelity, Tenn. | 11.7 | 15.2 | 9.9 | 7 |
| Valley National, Ariz. | 12.8 | 16.6 | 9.5 | 8 |
| Wachovia Bank, N.C. | 16.4 | 19.1 | 10.6 | 3 |
| Wells Fargo, Calif. | 15.5 | (1) | (1) | — |
| Wheeling Dollar Bank, W. Va. | 9.6 | 17.0 | 9.4 | 8 |
| Wilmington Trust, Del. | 11.4 | 12.6 | 7.8 | 10 |
| **Sheerson Lehman G/C Index** | **15.6** | **17.9** | **10.4** | **4** |

## Top quartile commingled equity funds

### 3-month returns

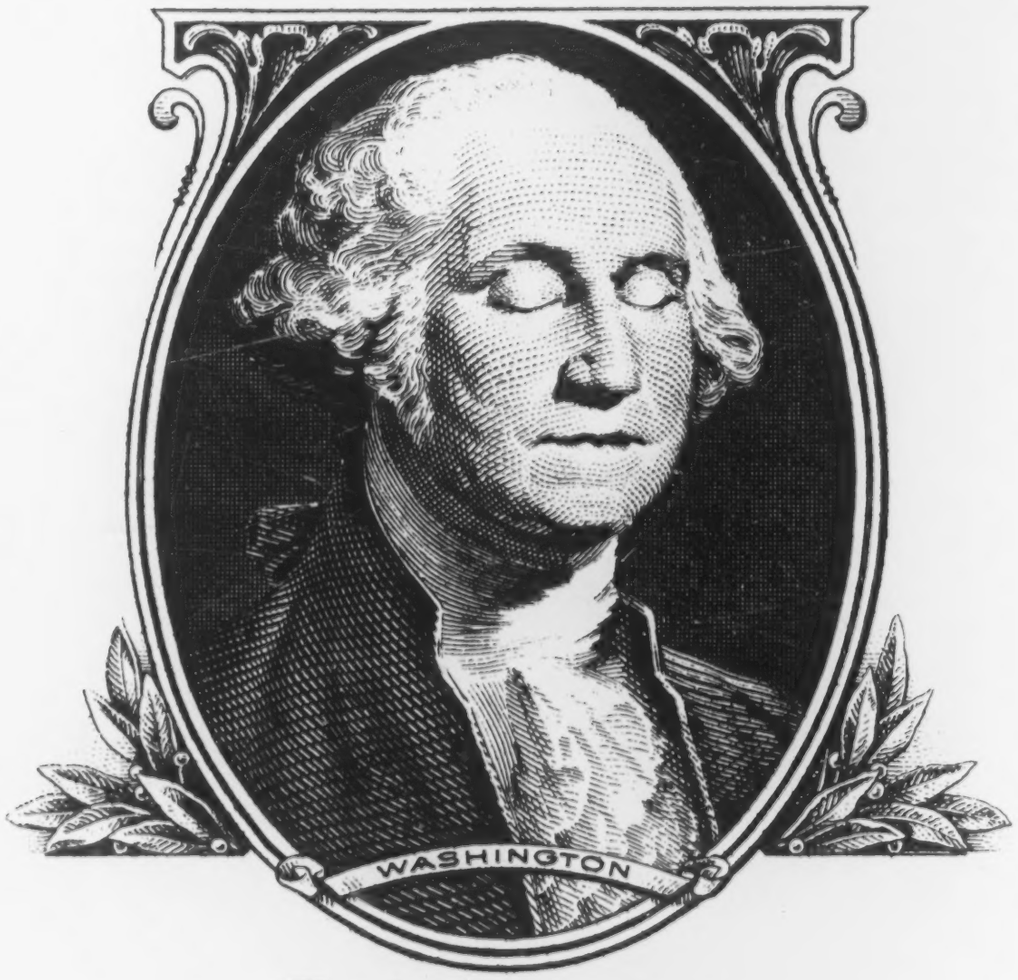
| | % |
|---|---|
| First Interstate of Okla. | 9.1 |
| Northern Central (Core), Pa. | 8.3 |
| Boatmen's FNB, K.C., Mo. | 8.3 |
| First in Wichita, Kan. | 8.0 |
| American National, Tenn. | 7.9 |
| Puget Sound Natl., Wash. | 7.8 |
| Principal Mutual Life, Iowa | 7.8 |
| Bank of Calif. (EB Inc. & Gr.) | 7.7 |
| Wheeling Dollar Bank, W. Va. | 7.6 |
| First City Natl., Houston | 7.6 |
| First Alabama Bank (No. 1) | 7.5 |
| Dominion Trust (Corp. trust), Va. | 7.3 |
| NCNB National Bank, N.C. | 7.1 |
| Nevada National Bank, | 7.1 |
| New York Life Ins. (Acct. 1) | 7.0 |
| Lake Shore Natl., Ill. | 7.0 |
| Lincoln Natl. Pens. (Growth), Ind. | 7.0 |
| RepublicBank, Dallas | 6.9 |
| Associated Kellogg (EB), Wis. | 6.8 |
| Mich. Natl. of Grand Rapids | 6.8 |
| American Natl. Chicago (Active) | 6.8 |
| Old Second Natl., Ill. | 6.8 |
| Interfirst Bank Dallas (Inc.) | 6.8 |
| Society Natl. (Rel. Val.), Ohio | 6.8 |
| Third Natl., Nashville | 6.7 |
| Valley National (No. 1), Ariz. | 6.7 |
| First Alabama, Mobile | 6.7 |
| Security Pacific (E), Calif. | 6.6 |
| Mutual Benefit, N.J. | 6.6 |
| Wilmington Trust, Del. | 6.5 |
| Bank of Tokyo (Com. stk.), N.Y. | 6.5 |
| Bank of California (Inc.) | 6.4 |
| National City Cleveland | 6.3 |
| Lloyds Bank (D), Calif. | 6.3 |
| Bank of Delaware (VIP) | 6.3 |
| Sun Bank, Fla. | 6.3 |
| First of Cincinnati (Bal.) | 6.2 |
| Penn Mutual Life (Acct. A) | 6.2 |
| Summit Trust Co., N.J. | 6.2 |
| Citicorp (Com. Stk.), N.Y. | 6.2 |
| Associated Manitowoc (Com. Stk.) | 6.2 |
| Mutual of New York (Inc.) | 6.0 |
| Planters Natl. (B), N.C. | 6.0 |
| New England Mutual, Mass. | 6.0 |
| Bessemer Trust, N.Y. | 5.9 |
| Citytrust (E1), Conn. | 5.9 |
| Connecticut National (EB) | 5.9 |
| Hawaiian Trust | 5.9 |
| Toledo Trust, Ohio | 5.9 |
| Comerica Bank (Com.), Mich. | 5.9 |
| Equitable Life (No. 18), N.Y. | 5.8 |
| South Carolina Natl. | 5.7 |
| First National, Lincoln, Neb. | 5.7 |
| First Kentucky Trust | 5.7 |
| Northern Trust (Divers.), Ill. | 5.6 |
| First Interstate of Calif. (Index) | 5.6 |
| Sentry Life (Acct. B), Wis. | 5.6 |
| Seafirst Bank, Wash. | 5.6 |
| **Standard & Poor's 500** | **5.6** |
| Mellon Bank (EB), Pa. | 5.6 |
| Manufacturers Hanover, N.Y. | 5.6 |
| Massachusetts Mutual | 5.5 |
| Summit Bank, Ind. | 5.5 |
| Bank of America (Index), Calif. | 5.5 |
| Union Trust Baltimore (D) | 5.5 |
| Home Life, N.Y. | 5.4 |
| Fidelity Mgmt. Trust (Earnings Gr.) | 5.4 |
| Wachovia Bank, N.C. | 5.4 |
| Cullen Bank, (EB), Texas | 5.4 |
| Colorado National Bank | 5.4 |
| Liberty National, Okla. | 5.4 |
| First Interstate of Wash. | 5.4 |
| Prudential (PRIDEX), N.J. | 5.4 |
| American Natl. Chicago (S&P) | 5.4 |
| Riggs of Washington | 5.4 |
| State Street Bank (S&P), Mass. | 5.4 |
| Barnett Banks Trust Co. (EB), Fla. | 5.4 |
| Indiana National Bank | 5.4 |
| Wells Fargo (Index), Calif. | 5.4 |

### 1-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 32.0 |
| Bank of Delaware (VIP) | 29.0 |
| Barnett Banks Trust Co. (EB), Fla. | 27.9 |
| Interfirst Bank Dallas (Inc.) | 27.5 |
| State Street Bank (Value I), Mass. | 27.2 |
| South Carolina National | 26.9 |
| Harris Trust (Com.), Ill. | 26.4 |
| RepublicBank, Dallas | 26.1 |
| Puget Sound Natl., Wash. | 25.9 |
| Commerce Bank, St. Louis | 25.0 |
| State Street Bank (Val. II), Mass. | 24.5 |
| Bank of California (Inc.) | 24.3 |
| Cullen Bank (EB), Texas | 24.3 |
| Citizens & Southern, Ga. | 24.1 |
| Bank of the West, Calif. | 24.0 |
| American National (Growth), Ind. | 23.9 |
| Hamilton Bank, Pa. | 23.1 |
| First Alabama Bank (I) | 23.0 |
| First Security Natl. (D), Ky. | 22.6 |
| NCNB National Bank, N.C. | 22.4 |
| Dauphin Deposit (Corp. EB), Pa. | 22.3 |
| First of America, Mich. | 22.0 |
| CREF | 22.0 |
| Bank of New England (Valuepath) | 22.0 |
| Mellon Bank (EB), Pa. | 22.0 |
| Bank of Virginia (EB) | 21.9 |
| Associated Kellogg (EB), Wis. | 21.9 |
| Dominion Trust (Corp. Tr.), Va. | 21.8 |
| Citizens Fidelity (E), Ky. | 21.8 |
| Bank of Calif. (EB Inc. & Gr.) | 21.7 |
| Natl. Bank of Commerce, Neb. | 21.7 |
| Associated Manitowoc, Wis. | 21.6 |
| State Natl. Evanston, Ill. | 21.3 |
| Security Pacific (E), Calif. | 21.3 |
| Lake Shore National, Ill. | 21.1 |
| Hawaiian Trust | 21.0 |
| Massachusetts Mutual | 20.9 |
| First of America (Concen.), Mich. | 20.8 |
| Mich. Natl. of Grand Rapids | 20.8 |
| Mutual of New York (Inc.) | 20.7 |
| First City Natl., Houston | 20.7 |
| Harris Trust (Low p/e), Ill. | 20.6 |
| First Bank Milwaukee (Col.) | 20.5 |
| Security Pacific (B), Calif. | 20.5 |
| First of Neenah, Wis. | 20.5 |
| First Trust Corp., Colo. | 20.5 |
| Bank of Tokyo, N.Y. | 20.4 |
| New England Mutual, Mass. | 20.4 |
| Key Trust Co., N.Y. | 20.3 |
| Frost Natl. (A), Texas | 20.2 |
| First Wisconsin Trust (Inc.) | 20.2 |
| Wells Fargo (T&T), Calif. | 20.1 |
| Allied Bank, Texas | 20.1 |
| Long Island Trust, N.Y. | 20.0 |
| C&S Trust Florida (EB) | 20.0 |
| First of Omaha (D), Neb. | 20.0 |
| American National, Tenn. | 20.0 |
| Citytrust, (E1), Conn. | 19.9 |
| Pittsburgh Natl. (QMS) | 19.9 |
| Mutual Benefit, N.J. | 19.9 |
| Sovran Bank (inst.), Va. | 19.8 |
| Chemical Bank (1), N.Y. | 19.8 |
| First Interstate of Denver (Value) | 19.8 |
| Northern Central (Core), Pa. | 19.7 |
| Old Second National, Ill. | 19.7 |
| First Union Bank, N.C. | 19.6 |
| Natl. Bank of Commerce, Tenn. | 19.6 |
| **Standard & Poor's 500** | **18.7** |

### 3-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 31.1 |
| Bank of the West, Calif. | 25.7 |
| First of America, Mich. | 25.0 |
| New Jersey National | 24.0 |
| Bank of California (Inc.) | 23.2 |
| RepublicBank, Dallas | 23.1 |
| Bank of New England (Valuepath) | 23.0 |
| Barnett Banks Trust Co. (EB), Fla. | 22.8 |
| First of America (Con. Val.), Mich. | 22.6 |
| State National Evanston, Ill. | 22.5 |
| Alaska Pacific Trust (EBT) | 22.5 |
| MTrust (Value), Texas | 22.2 |
| First Trust Corp., Colo. | 22.0 |
| Guardian Insurance (1), N.Y. | 21.6 |
| First Interstate of Oregon (EBT) | 21.5 |
| First of Omaha (D), Neb. | 21.5 |
| Cullen Bank (EB), Texas | 21.5 |
| Mellon Bank (EB), Pa. | 21.2 |
| First of Neenah, Wis. | 21.1 |
| Northern States Trust, Ill. | 20.9 |
| Puget Sound Natl., Wash. | 20.8 |
| Frost National (A), Texas | 20.7 |
| Bank of Virginia (EB) | 20.5 |
| Lake Shore National, Ill. | 20.4 |
| First Interstate of Denver (Value) | 20.3 |
| First of Neenah, Wis. | 20.2 |
| US Natl. of Galveston | 19.9 |
| Citytrust (E1), Conn. | 19.8 |
| Harris Trust (Com.), Ill. | 19.7 |
| Dauphin Deposit (Corp. EB), Pa. | 19.7 |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| | |
|---|---|
| Dominion Trust (Corp. Tr.), Va. | 19.5 |
| Prudential (Low p/e), N.J. | 19.4 |
| First Security Natl. (D), Ky. | 19.4 |
| Mutual of New York | 19.3 |
| Bank of Tokyo, N.Y. | 19.3 |
| Bank of Calif. (Inc. & Gr.) | 19.3 |
| CREF | 19.3 |
| First Union Bank, N.C. | 19.3 |
| C&S Trust Florida (EB) | 19.2 |
| Citizens Fidelity (E), Ky. | 19.2 |
| Gary Wheaton Bank, Ill. | 19.2 |
| LaSalle National (Intrin.), Ill. | 19.1 |
| John Hancock (1L), Mass. | 19.1 |
| Society National (Rel. Val.), Ohio | 18.9 |
| Riggs of Washington | 18.7 |
| Continental Bancorp (Corn.), Pa. | 18.7 |
| Colorado National Bank | 18.7 |
| Central Penn (Com.), Pa. | 18.7 |
| Provident National, Pa. | 18.7 |
| Wells Fargo (Index), Calif. | 18.7 |
| Natl. Bank of Commerce, Tenn. | 18.7 |
| Massachusetts Mutual | 18.6 |
| American Natl. (Active), Chicago | 18.6 |
| Comerica Bank (Com.), Mich. | 18.5 |
| American Natl. (S&P), Chicago | 18.5 |
| AmeriTrust (Divers.), Ohio | 18.5 |
| **Standard & Poor's 500** | **18.5** |
| American National Bank, Tenn. | 18.5 |
| Pittsburgh Natl. (QMS), Pa. | 18.4 |
| Fidelity Mgmt. Trust (Inc.), Mass. | 18.4 |
| Bankers Trust (Index), N.Y. | 18.4 |
| Natl. Bank of Commerce, Neb. | 18.3 |
| State Street Bank (S&P), Mass. | 18.3 |

**5-year returns**

| | % |
|---|---|
| Sun Bank, Fla. | 31.1 |
| First Union Bank, N.C. | 25.3 |
| Manufacturers Life, Ont. | 25.1 |
| Fidelity Mgmt. Trust (Inc.), Mass. | 24.9 |
| First Interstate of Denver (Value) | 24.8 |
| First Interstate of Oregon (EBT) | 24.2 |
| Guardian Insurance (1), N.Y. | 24.0 |
| MTrust (Value), Texas | 23.7 |
| New England Mutual (Sep. Cap.) | 23.3 |
| Lake Shore National, Ill. | 23.3 |
| RepublicBank, Dallas | 23.2 |
| Provident National, Pa. | 23.0 |
| Mutual Benefit, N.J. | 22.9 |
| First of Omaha (D), Neb. | 22.8 |
| First of America, Mich. | 22.6 |
| First Interstate of Okla. | 22.5 |
| Dauphin Deposit (Corp. EB), Pa. | 22.3 |
| Connecticut Mutual Life (CM) | 22.3 |
| US Natl. of Galveston | 22.2 |
| New Jersey National | 22.1 |
| Bank of Virginia (EB) | 22.1 |
| Marine Midland, N.Y. | 22.0 |
| Natl. Bank of Commerce, Tenn. | 21.8 |
| First Wisconsin Trust (Inc.) | 21.7 |
| Colorado National Bank | 21.7 |
| Prudential (PRIFORM), N.J. | 21.6 |
| Barnett Banks Trust Co. (EB), Fla. | 21.5 |
| Bank of the West, Calif. | 21.4 |
| First Variable Life, Ark. | 21.3 |
| Massachusetts Mutual | 21.3 |
| First Security Natl. (D), Ky. | 21.1 |
| American Natl. (Active), Chicago | 21.1 |
| C&S Trust Florida (EB) | 21.1 |
| CREF | 20.9 |
| Southeast Bank (EB), Fla. | 20.9 |
| Mutual of New York | 20.9 |
| Society National (Rel.), Ohio | 20.9 |
| Harris Trust (Com.), Ill. | 20.7 |
| AmSouth, Ala. | 20.7 |
| Mellon Bank (EB), Pa. | 20.6 |
| First Bank Milwaukee (Col.), Wis. | 20.6 |
| Citytrust (E1), Conn. | 20.4 |
| Mercantile Safe, Md. | 20.4 |
| First Trust Corp., Colo. | 20.4 |
| Cullen Bank (EB), Texas | 20.2 |
| Bankers Trust (Index), N.Y. | 20.2 |
| Principal Mutual Life, Iowa | 20.1 |
| AmeriTrust (Divers.), Ohio | 20.1 |
| First Alabama Bank (I) | 20.0 |
| Pioneer Bank, Ill. | 20.0 |
| Bank of Calif. (EB Inc. & Gr.) | 20.0 |
| Security Pacific (B), Calif. | 20.0 |
| Seattle Trust, Wash. | 20.0 |
| Wells Fargo (Index), Calif. | 20.0 |
| Irving Trust, N.Y. | 20.0 |
| **Standard & Poor's 500** | **19.9** |
| US Natl. of Oregon (Qualivest) | 19.9 |
| John Hancock (1L), Mass. | 19.9 |
| American Natl. (S&P), Chicago | 19.9 |
| First of Neenah, Wis. | 19.9 |

**10-year returns**

| | % |
|---|---|
| Manufacturers Life, Ont. | 23.2 |
| Guardian Insurance (1), N.Y. | 19.9 |
| First Wis. Natl., Madison | 19.5 |
| American Natl. (Active), Chicago | 19.2 |
| Sun Bank, Fla. | 19.0 |
| Citizens-Chillicothe (B), Mo. | 18.9 |
| First Trust Corp., Colo. | 18.4 |
| US Natl. of Galveston | 18.2 |
| First Union Bank, N.C. | 18.0 |
| US Natl. of Oregon (Qualivest) | 17.8 |
| First Interstate of Denver | 17.7 |
| Natl. Bank of Commerce, Neb. | 17.6 |

## Top equity funds by size

### 1-year returns

**Over $100 million**

| | % |
|---|---|
| Sun Bank, Fla. | 32.0 |
| Barnett Banks Tr. (EB), Fla. | 27.9 |
| Harris Trust (Com.), Ill. | 26.4 |
| RepublicBank, Dallas | 26.1 |
| First of America, Mich. | 22.0 |
| CREF | 22.0 |
| Bank of New England (Val.P) | 22.0 |
| Mellon Bank (EB), Pa. | 22.0 |
| Massachusetts Mutual | 20.9 |
| Mutual Benefit, N.J. | 19.9 |

**$50 million to $100 million**

| | % |
|---|---|
| InterFirst Bank Dallas (Inc.) | 27.5 |
| Bank of Calif. (Inc.) | 24.3 |
| NCNB Natl. Bank, N.C. | 22.4 |
| First City Natl., Houston | 20.7 |
| Security Pacific (B), Calif. | 20.5 |
| New England Mutual | 20.4 |
| Citytrust (E1), Conn. | 19.9 |
| Sovran Bank, (Inst.), Va. | 19.8 |
| Mercantile Bank (Col.), Mo. | 19.5 |
| Comerica Bank (Com.) | 19.4 |

**$10 million to $50 million**

| | % |
|---|---|
| Bank of Delaware (VIP) | 29.0 |
| South Carolina Natl. | 26.9 |
| Commerce Bank St. Louis | 25.0 |
| Cullen Bank (EB), Texas | 24.3 |
| Citizens & Southern, Ga. | 24.1 |
| Hamilton Bank, Pa. | 23.1 |
| First Alabama Bank (1) | 23.0 |
| First Security Natl. (D), Ky. | 22.6 |
| Dauphin Deposit (EB), Pa. | 22.3 |
| Bank of Virginia (EB) | 21.9 |
| Associated Kellogg (EB) | 21.9 |

**Under $10 million**

| | % |
|---|---|
| Puget Sound Natl., Wash. | 25.9 |
| Bank of the West, Calif. | 24.0 |
| American Natl. (Growth), Ind. | 23.9 |
| Dominion Trust (Corp. tr.) | 21.8 |
| Bank of Calif. (Inc. & Gr.) | 21.7 |
| Associated Manitowoc, Wis. | 21.6 |
| Old Second Natl., Ill. | 19.7 |
| First of Neenah, Wis. | 19.4 |
| Great West Life Assur., Man. | 18.3 |
| Union Trust Baltimore (D) | 17.9 |
| Boston Safe Deposit, Mass. | 17.9 |

### 10-year returns

**Over $100 million**

| | % |
|---|---|
| First Wis. Natl., Madison | 19.5 |
| American Natl. (Act.), Ill. | 19.2 |
| Sun Bank, Fla. | 19.0 |
| First Union Bank, N.C. | 18.0 |
| US Natl. of Oregon (Quali.) | 17.8 |
| Provident National, Pa. | 17.5 |
| Bessemer Trust, N.Y. | 17.3 |
| Principal Mutual Life, Iowa | 16.6 |
| Massachusetts Mutual | 16.3 |
| Equitable Life (No. 4), N.Y. | 16.2 |
| MTrust (Growth), Texas | 16.2 |

**$50 million to $100 million**

| | % |
|---|---|
| Manufacturers Life, Ont. | 23.2 |
| First Interstate of Denver | 17.7 |
| New Eng. Mutual (Sep. cap.) | 17.5 |
| Continental Bancorp (C.), Pa. | 16.6 |
| AmSouth, Ala. | 15.6 |
| Colorado National Bank | 15.0 |
| Citytrust (E1), Conn. | 14.7 |
| Phoenix Mutual, Conn. | 14.6 |
| Norstar Trust Co., N.Y. | 14.5 |
| First Jersey Natl., N.J. | 14.4 |
| Liberty National, Okla. | 14.4 |

**$10 million to $50 million**

| | % |
|---|---|
| Guardian Insurance (1), N.Y. | 19.9 |
| Citizens Chillicothe (Emp. B) | 18.9 |
| First Trust Corp., Colo. | 18.4 |
| US Natl. of Galveston | 18.2 |
| Natl. Bank of Commerce | 17.6 |
| Confederation Life, Ont. | 17.2 |
| First of Omaha (D) | 17.1 |
| First Interstate of Okla. | 17.1 |
| MTrust (Value Fund), Texas | 16.5 |
| State Natl., Evanston | 16.4 |

**Under $10 million**

| | % |
|---|---|
| Unibanctrust, Ill. | 14.6 |
| First of Neenah, Wis. | 14.2 |
| Merchants Natl. (2), Ind. | 13.7 |
| Dominion Trust (Corp. tr.) | 13.6 |
| Union Central, Ohio | 13.4 |
| Union Trust Baltimore (D) | 13.4 |
| Irving Trust, N.Y. | 13.0 |
| Puget Sound Natl., Wash. | 12.9 |
| Old Second Natl., Ill. | 12.9 |
| Bank of Calif. (Inc. & Gr.) | 12.8 |


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Provident National, Pa. ..... 17.5
New England Mutual (Sep. Cap.) ..... 17.5
Bessemer Trust, N.Y. ..... 17.3
Confederation Life, Ont. ..... 17.2
First of Omaha, (D), Neb. ..... 17.1
First Interstate of Okla. ..... 17.1
Principal Mutual Life, Iowa ..... 16.6
Continental Bancorp, Pa. ..... 16.6
MTrust (Value), Texas ..... 16.5
State Natl., Evanston, Ill. ..... 16.4
Massachusetts Mutual ..... 16.3
C&S Trust Florida (EB) ..... 16.2
Equitable Life (No. 4), N.Y. ..... 16.2
Bank of Virginia (EB), Va. ..... 16.2
MTrust (Growth), Texas ..... 16.2
Home Life, N.Y. ..... 16.1
First Variable Life, Ark. ..... 16.1
Fifth Third Bank (EB), Ohio ..... 15.9
Employers Life of Wausau (1) ..... 15.9
First of America, Mich. ..... 15.7
First Interstate of Nevada (EB) ..... 15.7
Aetna Life & Casualty, Conn. ..... 15.7
First Interstate of Oregon (EBT) ..... 15.6
Philadelphia National, Pa. ..... 15.6
AmSouth, Ala. ..... 15.6
National City Cleveland ..... 15.5
Lake Shore National, Ill. ..... 15.4
RepublicBank, Dallas ..... 15.4
Texas Commerce (Divers.) ..... 15.3
First Interstate of Wash. ..... 15.2
Penn Mutual Life (A), Pa. ..... 15.2
Wheeling Dollar Bank, W. Va. ..... 15.1
Equitable Life (No. 18), N.Y. ..... 15.1
Bank of Tokyo, N.Y. ..... 15.0
Colorado National Bank ..... 15.0
Valley Fidelity (EB), Tenn. ..... 14.8
First National, Lincoln, Neb. ..... 14.8
CIGNA Corp. (A), Conn. ..... 14.7
IAA Trust Co. (C), Ill. ..... 14.7
Citytrust (E1), Conn. ..... 14.7
**Standard & Poor's 500** ..... **13.9**

## Top quartile commingled fixed-income funds

### 3-month returns

| | % |
|---|---|
| Delaware Trust Co. (EB Inc.) | 8.0 |
| Connecticut National Bank (EB) | 5.7 |
| First Interstate of Denver | 5.3 |
| RepublicBank, Dallas | 5.0 |
| Chase Manhattan (Long-term) | 5.0 |
| HT Investors, R.I. | 4.9 |
| Chemical Bank (Com. 1), N.Y. | 4.9 |
| Metropolitan Life (No. 41), N.Y. | 4.9 |
| HT Investors (A), R.I. | 4.8 |
| Sun Bank, Fla. | 4.8 |
| First Interstate of Calif. | 4.8 |
| Security Pacific, Calif. | 4.7 |
| Mercantile Bank, (Col.), Mo. | 4.5 |
| Travelers (Acct. P), Conn. | 4.5 |
| First Kentucky Trust (Ret. Tr.) | 4.4 |
| Natl. Bank of Detroit (EB) | 4.4 |
| Bankers Trust (A), N.Y. | 4.3 |
| Morgan Guaranty, N.Y. | 4.3 |
| First Trust Corp., Colo. | 4.3 |
| Natl. City Cleveland, Ohio | 4.3 |
| Equitable Bank (Com.), Md. | 4.3 |
| IAA Trust Co. (B), Ill. | 4.3 |
| Lincoln Natl. Pens. (Corp.) Ind. | 4.3 |
| First Jersey Natl., N.J. | 4.3 |
| Wachovia Bank, N.C. | 4.2 |
| Provident National, Pa. | 4.2 |
| First of Omaha (C), Neb. | 4.2 |
| Comerica Bank (Com.), Mich. | 4.2 |
| American National Bank, Ind. | 4.2 |
| Connecticut National Bank (Inter.) | 4.2 |
| Boatmen's FNB, K.C., Mo. | 4.1 |
| Mutual of New York (Public), | 4.1 |
| Fidelity Bank (Com.), Pa. | 4.1 |
| Principal Mutual Life, Iowa | 4.1 |
| Calcasieu Marine Natl. (E) | 4.0 |
| First of Chicago ($ fixed), Ill. | 4.0 |
| NCNB National Bank, N.C. | 4.0 |
| Pacific Mutual, Calif. | 4.0 |
| CIGNA (Pub. traded), Conn. | 4.0 |
| First in Wichita, Kan. | 4.0 |
| Natl. Bank of Commerce, Tenn. | 4.0 |
| Norstar Trust Co., N.Y. | 3.9 |
| American Security, D.C. | 3.9 |
| Mid-State Bancorp, Pa. | 3.9 |
| Life of Virginia | 3.9 |
| First City Natl., Houston | 3.9 |
| First of Minneapolis | 3.9 |
| Hibernia National, La. | 3.8 |
| Citytrust (E3), Conn. | 3.8 |
| First Interstate of Ariz. | 3.8 |
| Chase Manhattan (Sec. Mtg.), N.Y. | 3.8 |
| First Pennsylvania Bank | 3.8 |
| Dauphin Deposit (Corp.), Pa. | 3.8 |
| First Interstate of Oregon (EBT) | 3.8 |
| First Tennessee, Memphis | 3.8 |
| Security National Bank, W. Va. | 3.8 |
| Central Fidelity (EB Mgd.), Va. | 3.8 |
| Natl. Bank of Commerce, Neb. | 3.7 |
| First of Chicago, Ill. | 3.7 |
| State Street Bank, Mass. | 3.7 |
| AmSouth, Ala. | 3.7 |
| Seafirst Bank, Wash. | 3.7 |
| Chicago Title & Trust (Com.) | 3.7 |
| Beverly Bank, Ill. | 3.7 |
| Third Natl., Nashville, Tenn. | 3.7 |
| First Trust Co., Minn. | 3.7 |
| John Hancock, Mass. | 3.7 |
| **Salomon Broad Bond Index** | **3.3** |
| **Shearson Lehman G/C Index** | **3.1** |

### 1-year returns

| | % |
|---|---|
| Delaware Trust Co. (EB) | 24.4 |
| First Interstate of Denver | 23.1 |
| Equitable Life (No. 5), N.Y. | 22.2 |
| Chase Manhattan (Long-term) | 21.3 |
| United of Denver | 21.2 |
| Connecticut National (EB) | 20.3 |
| Fidelity Bank (Com.), Pa. | 19.7 |
| Travelers (Acct. P), Conn. | 19.6 |
| Metropolitan Life (No. 41), N.Y. | 19.5 |
| IAA Trust Co. (B), Ill. | 18.9 |
| Hawaiian Trust | 18.9 |
| CIGNA (Pub. traded), Conn. | 18.6 |
| RepublicBank, Dallas | 18.5 |
| LaSalle National (Long-term), Ill. | 18.4 |
| Manufacturers Life, Ont. | 18.3 |
| First Trust Corp., Colo. | 17.9 |
| John Hancock, Mass. | 17.9 |
| Comerica Bank (Com.), Mich. | 17.9 |
| American Security, D.C. | 17.6 |
| First Interstate of Ariz. | 17.6 |
| Principal Mutual Life, Iowa | 17.4 |
| Connecticut Natl. Bank (Inter.) | 17.4 |
| Sun Bank, Fla. | 17.2 |
| Key Trust Co., N.Y. | 17.1 |
| Philadelphia National, Pa. | 17.0 |
| Assoc. Manitowoc (Hi. Inc.), Wis. | 16.9 |
| First Wisconsin Natl., Madison | 16.9 |
| First Wisconsin Trust (Inter.) | 16.9 |
| Manufacturers Hanover (Gr. Tr.) | 16.8 |
| Union Central, Ohio | 16.7 |
| Continental Illinois (Com.) | 16.7 |
| First City Natl., Houston | 16.7 |
| Liberty National, Ky. | 16.7 |
| First Variable Life, Ark. | 16.7 |
| Chase Manhattan (A), N.Y. | 16.6 |
| First Kentucky Trust | 16.6 |
| Mercantile Bank (Col.), Mo. | 16.6 |
| Northern Trust, Ill. | 16.6 |
| Chase Manhattan (Inter.), N.Y. | 16.6 |
| Connecticut Bank & Trust (EB) | 16.5 |
| Provident National, Pa. | 16.5 |
| Chemical Bank (Com. 2), N.Y. | 16.4 |
| Wachovia Bank, N.C. | 16.4 |
| First Tennessee, Memphis | 16.4 |
| Morgan Guaranty, N.Y. | 16.3 |
| Citicorp, N.Y. | 16.3 |
| Pacific Mutual, Calif. | 16.2 |
| MTrust, Texas | 16.2 |
| Lloyds Bank (C), Calif. | 16.2 |
| AmSouth, Ala. | 16.2 |
| Bankers Trust (A), N.Y. | 16.2 |
| Lincoln Natl. Pens, Ind. | 16.1 |
| Natl. Bank of Commerce, Neb. | 16.0 |
| Sovran Bank, (Inst.), Va. | 16.0 |
| Shawmut Bank, Mass. | 15.9 |
| First of Chicago | 15.9 |
| First of Omaha (C), Neb. | 15.9 |
| Boatmen's National, Mo. | 15.9 |
| Phoenix Mutual (Mgd.), Conn. | 15.9 |
| Mellon Bank (EB), Pa. | 15.9 |
| Bank of New England, Mass. | 15.9 |
| Beverly Bank, Ill. | 15.8 |
| First of Boston (Inter.), Mass. | 15.8 |
| **Shearson Lehman G/C Index** | **15.6** |
| **Salomon Broad Bond Index** | **15.5** |

### 3-year returns

| | % |
|---|---|
| United of Denver | 23.7 |
| First Interstate of Denver | 22.7 |
| Delaware Trust (EB) | 21.9 |
| Equitable Life (No. 5), N.Y. | 20.9 |
| Life of Virginia | 20.7 |
| Connecticut National Bank (EB) | 20.7 |
| Travelers (Acct. P), Conn. | 20.6 |
| IAA Trust Co. (B), Ill. | 20.4 |
| LaSalle National (Long-term), Ill. | 20.1 |
| Manufacturers Life, Ont. | 20.0 |
| Hawaiian Trust | 19.3 |
| RepublicBank, Dallas | 19.2 |
| Metropolitan Life (No. 41), N.Y. | 19.1 |
| First Interstate of Ariz. | 19.0 |
| John Hancock, Mass. | 19.0 |
| Principal Mutual Life, Iowa | 19.0 |
| First Trust Corp., Colo. | 18.9 |
| American Security, D.C. | 18.9 |
| Beverly Bank, Ill. | 18.6 |
| CIGNA (Pub. traded), Conn. | 18.4 |
| Colorado Natl. Bank | 18.4 |
| Continental Illinois (Com.) | 18.2 |
| AmSouth, Ala. | 18.2 |
| Citicorp, N.Y. | 18.2 |
| Natl. Bank of Commerce, Neb. | 18.2 |
| First Kentucky Trust | 18.1 |
| Connecticut Natl. Bank (Inter.) | 18.1 |
| First City Natl., Houston | 18.0 |
| Pacific Mutual, Calif. | 18.0 |
| Chemical Bank (Com. 1), N.Y. | 18.0 |
| Bank of California (Flex.) | 17.9 |
| Society National, Ohio | 17.9 |
| Key Trust Co., N.Y. | 17.9 |


# Three reasons to consider Hutton Capital Management for investment portfolios in excess of $3 million:

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**(212) 742-6557**

| | |
|---|---|
| First of Chicago | 17.9 |
| Morgan Guaranty, N.Y. | 17.9 |
| Fidelity Bank (Com.), Pa. | 17.9 |
| Comerica Bank (Com.), Mich. | 17.8 |
| First of Omaha (C), Neb. | 17.8 |
| Northern Trust, Ill. | 17.8 |
| Sovran Bank (Inst.), Va. | 17.8 |
| First Wis. National, Madison | 17.7 |
| Mellon Bank (EB), Pa. | 17.7 |
| First Jersey Natl., N.J. | 17.7 |
| Harris Trust, Ill. | 17.6 |
| First Interstate of Calif. | 17.6 |
| First of Chicago ($ fixed), Ill. | 17.5 |
| Wachovia Bank, N.C. | 17.5 |
| Bankers Trust (A), N.Y. | 17.5 |
| **Salomon Broad Bond Index** | **17.5** |
| Lloyds Bank (C), Calif. | 17.5 |
| Central Fidelity (EB), Va. | 17.5 |
| Liberty National, Ky. | 17.5 |
| Sun Bank, Fla. | 17.4 |
| Manufacturers Hanover (Gr. Tr.) | 17.3 |
| **Shearson Lehman G/C Index** | **17.3** |
| Seafirst Bank, Wash. | 17.2 |
| Colonial American Natl. (Inc.), Va. | 17.2 |
| Lincoln Natl. Pens, (Corp.), Ind. | 17.2 |
| Aetna Life & Cas. (Acct. 76) | 17.2 |
| Bessemer Trust, N.Y. | 17.2 |
| Mutual of New York (Public) | 17.2 |

### 5-year returns

| | % |
|---|---|
| United of Denver | 23.0 |
| First Interstate of Denver | 22.1 |
| Life of Virginia | 21.7 |
| Delaware Trust Co. (EB) | 21.6 |
| Connecticut National Bank (EB) | 20.4 |
| American Security, D.C. | 20.2 |
| First Wis. Natl., Madison | 20.2 |
| IAA Trust (B), Ill. | 20.2 |
| CIGNA (Pub. traded), Conn. | 20.1 |
| First Kentucky Trust (Ret. Tr.) | 20.0 |
| AmSouth, Ala. | 19.9 |
| Society National, Ohio | 19.9 |
| John Hancock, Mass. | 19.9 |
| Citicorp, N.Y. | 19.7 |
| Colorado Natl. Bank | 19.5 |
| First Interstate of Ariz. | 19.5 |
| Equitable Life (No. 5), N.Y. | 19.4 |
| First of Chicago ($ fixed), Ill. | 19.3 |
| Pacific Mutual, Calif. | 19.3 |
| Beverly Bank, Ill. | 19.3 |
| First of Chicago | 19.2 |
| Lloyds Bank (C), Calif. | 19.2 |
| First Variable Life, Ark. | 19.2 |
| Sovran Bank (Inst. bond), Va. | 19.1 |
| Wachovia Bank, N.C. | 19.1 |
| Key Trust Co., N.Y. | 19.0 |
| Mutual of New York (Public) | 18.9 |
| Travelers (Acct. P), Conn. | 18.8 |
| Natl. Bank of Commerce, Neb. | 18.8 |
| Hawaiian Trust | 18.7 |
| Mutual of New York (Priv. place) | 18.7 |
| CIGNA (Inter.), Conn. | 18.7 |
| Bank of California (Flex.) | 18.7 |
| Central Fidelity (EB Mgd.) | 18.7 |
| Liberty National, Ky. | 18.6 |
| First of Omaha (C), Neb. | 18.6 |
| Marine Midland, N.Y. | 18.5 |
| RepublicBank, Dallas | 18.4 |
| Morgan Guaranty, N.Y. | 18.4 |
| First Interstate of Calif. | 18.3 |
| First Trust Corp., Colo. | 18.3 |
| State Street Bank, Mass. | 18.3 |
| Philadelphia National | 18.3 |
| **Salomon Broad Bond Index** | **18.2** |
| Colonial American Natl. (Inc.), Va. | 18.2 |
| American Natl. (EB Inc.), Minn. | 18.2 |
| Mellon Bank (EB), Pa. | 18.1 |
| Bankers Trust (A), N.Y. | 18.1 |
| Hamilton Bank, Pa. | 18.1 |
| California First Bank | 18.0 |
| Bank of New York | 18.0 |
| **Shearson Lehman G/C Index** | **17.9** |
| US Natl. of Oregon (Qualivest) | 17.9 |
| Lincoln Natl. Pens, (Corp.), Ind. | 17.9 |
| Citizens Com. & Svgs. (Inter.) | 17.9 |
| Confederation Life (Amer.), Ont. | 17.8 |
| Shawmut Bank, Mass. | 17.8 |
| Natl. Bank of Detroit (EB) | 17.8 |
| Mercantile Bank (Col.), Mo. | 17.8 |

### 10-year returns

| | % |
|---|---|
| United of Denver | 12.8 |
| Sovran Bank (Inst.), Va. | 12.7 |
| Bank IV Wichita (EB), Kan. | 12.6 |
| Life of Virginia | 12.5 |
| Fidelity Bank (Com.), Pa. | 12.5 |
| Beverly Bank, Ill. | 12.4 |
| Pacific Mutual, Calif. | 12.3 |
| American Security, D.C. | 12.2 |
| Hibernia National, La. | 12.1 |
| First Jersey National, N.J. | 12.1 |
| Seafirst Bank, Wash. | 12.0 |
| Texas Commerce (Act. Mgd.) | 11.9 |
| First Interstate of Denver | 11.9 |
| First Interstate of Calif. | 11.7 |
| First Wis. Natl., Madison | 11.7 |
| First Kentucky Trust (Ret. Tr.) | 11.7 |
| Manufacturers Hanover (Gr. Tr.) | 11.6 |
| Morgan Guaranty, N.Y. | 11.6 |
| Central Fidelity (EB Mgd.), Va. | 11.5 |

*Continued on page 25*

## Top fixed funds by size

### 1-year returns

| Over $100 million | % |
|---|---|
| Equitable Life (No. 5), N.Y. | 22.2 |
| Chase Manhattan (Long) | 21.3 |
| Metropolitan Life (No. 41) | 19.5 |
| CIGNA (Pub. Tr.), Conn. | 18.6 |
| John Hancock, Mass. | 17.9 |
| American Security, D.C. | 17.6 |
| Principal Mutual Life, Iowa | 17.4 |
| Manufacturers Han. (Gr.Tr.) | 16.8 |
| Chase Manhattan (A), N.Y. | 16.6 |
| Mercantile Bank (Col.), Mo. | 16.6 |
| Chase Manhattan (Inter.) | 16.6 |

| $50 million to $100 million | % |
|---|---|
| First Interstate of Denver | 23.1 |
| Fidelity Bank (Com.), Pa. | 19.7 |
| Manufacturers Life, Ont. | 18.3 |
| Comerica Bank (Com.) | 17.9 |
| Continental Illinois (Com.) | 16.7 |
| First Ky. Trust (Ret. Tr.) | 16.6 |
| Northern Trust, Ill. | 16.6 |
| Provident National, Pa. | 16.5 |
| Chemical Bank (2), N.Y. | 16.4 |
| First Tennessee Memphis | 16.4 |

| $10 million to $50 million | % |
|---|---|
| Delaware Trust Co. (EB) | 24.4 |
| United of Denver | 21.2 |
| IAA Trust Co. (B), Ill. | 18.9 |
| Hawaiian Trust | 18.9 |
| RepublicBank, Dallas | 18.5 |
| Connecticut Natl. (Inter.) | 17.4 |
| Sun Bank, Fla. | 17.2 |
| Key Trust Co., N.Y. | 17.1 |
| Philadelphia Natl., Pa. | 17.0 |
| Assoc. Manitowoc (H. Inc.) | 16.9 |
| First Wis. Natl. Madison | 16.9 |
| First Wis. Trust (Inter.) | 16.9 |

| Under $10 million | % |
|---|---|
| Connecticut National (EB) | 20.3 |
| LaSalle Natl. (Long term), Ill. | 18.4 |
| First Trust Corp., Colo. | 17.9 |
| First Interstate of Ariz. | 17.6 |
| Union Central, Ohio | 16.7 |
| First Variable Life, Ark. | 16.7 |
| Beverly Bank, Ill. | 15.8 |
| American National, Ind. | 15.7 |
| New England Mutual, Mass. | 15.5 |
| Dauphin Deposit, Pa. (EB) | 15.4 |

### 10-year returns

| Over $100 million | % |
|---|---|
| Life of Virginia | 12.5 |
| American Security, D.C. | 12.2 |
| Hibernia National, La. | 12.1 |
| Texas Commerce (Act. Mgd.) | 11.9 |
| Manufacturers Han. (Gr. Tr.) | 11.6 |
| Bank of New England | 11.4 |
| Boatmen's National, Mo. | 11.3 |
| Mercantile Bank (Col.), Mo. | 11.3 |
| CIGNA (Pub. Tr.), Conn. | 11.1 |
| John Hancock, Mass. | 10.9 |

| $50 million to $100 million | % |
|---|---|
| Sovran Bank, (Inst.), Va. | 12.7 |
| Fidelity Bank (Com.), Pa. | 12.5 |
| Pacific Mutual, Calif. | 12.3 |
| First Jersey Natl., N.J. | 12.1 |
| First Interstate of Denver | 11.9 |
| First Kentucky Trust (Ret.tr.) | 11.7 |
| AmeriTrust (Reserve), Ohio | 11.0 |
| Bankers Trust (B), N.Y. | 11.0 |
| Bankers Trust (A), N.Y. | 10.8 |
| Citicorp, N.Y. | 10.8 |

| $10 million to $50 million | % |
|---|---|
| United of Denver | 12.8 |
| Bank IV Wichita (EB) | 12.6 |
| First Interstate of Calif. | 11.7 |
| First Wis. Natl., Madison | 11.7 |
| Merchants National, Pa. | 11.4 |
| American National, Tenn. | 11.3 |
| Lloyds Bank (C), Calif. | 11.1 |
| Cullen Bank, (EB), Texas | 11.0 |
| First Bank Milwaukee | 11.0 |
| IAA Trust Co. (B), Ill. | 11.0 |

| Under $10 million | % |
|---|---|
| Beverly Bank, Ill. | 12.4 |
| Central Fidel. (EB Mgd.), Va. | 11.5 |
| First Interstate of Ariz. | 11.4 |
| Connecticut National (EB) | 11.1 |
| Oregon Bank | 10.9 |
| First of Neenah (Long term) | 10.8 |
| Colonial Am. Natl. (Inc.), Va. | 10.6 |
| American National, Ind. | 10.6 |
| First of Neenah (Inter.), Wis. | 10.5 |
| Gary Wheaton Bank, Ill. | 10.5 |


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# Equity funds . . .

*Continued from page 15*

Large-capitalization stocks didn't play a major role in the portfolio. "We don't screen high," Mr. Allen said. "We own a large number of medium-cap issues."

Among the Barnett portfolio holdings are **Ashton-Tate Co.**, **Merck** and **Fuji Photo Inc.**

Barnett screens stocks based on financial quality, relative value and changing earnings expectations.

"The difference in a quantitative approach and the more traditional approach is that we aren't listening to stories from Wall Street. We aren't story oriented; we base our decisions on the numbers," said Mr. Allen.

The $18 million stock fund of South Carolina National Bank, Columbia, finished sixth for the year with 26.9% and in the top 20% for the quarter, with a return of 5.7%.

Robert Beaudette, president of SCNC Advisory Corp., which manages the fund, said stock selection is based on a sophisticated computer screening process, with about 60 stocks held out of a 2,000-stock universe.

No stocks of less than $250 million in capitalization are held, he said, and the focus is on large- to intermediate-capitalization stocks. Companies are reviewed for earnings momentum and value.

Some of the larger holdings in the portfolio include **Exxon Corp.**, **Merck**, **Quaker Oats Co.**, **Lockheed Corp.**, **Abbott Laboratories**, **Imperial Chemical Corp.**, **Central & Southwest Corp.** and **Telex Corp.**

In the three-year period, Sun Banks was followed by Bank of the West, San Jose, Calif., with a compound annualized 25.7%, and First of America Bank, Kalamazoo, Mich., with 25%.

For the five years, the runners-up were First Union Bank of North Carolina, Charlotte, with an annualized 25.3%, and Manufacturers Life Insurance Co., Toronto, 25.1%.

Other high rankers in the five-year period were First Interstate Bank of Denver's modern value portfolio, which placed fifth with an annualized 24.8%, and First Interstate Bank of Oregon, which rated sixth with 24.2%.

First Interstate of Denver's modern value portfolio placed in the top 25% for the year and for the three years with 20.3%.

For 10 years, its growth-stock fund ranked 11th, with a compound annual return of 17.1%. The First Interstate of Denver equity portfolios are handled by Denver Investment Advisors.

While the modern value portfolio attempts to hold the 25 most undervalued stocks from among the stocks of the 300 largest U.S. corporations, including **Great Western Financial Corp.**, **Lockheed** and **RJR Nabisco Inc.**, the growth portfolio holds medium to small-cap stocks, including **Myers Parking Systems Inc.**, **Great Northern Nekoosa Corp.** and **CPC International Inc.**

Manufacturers Life also was a leader in the 10-year period, placing first with an annualized 23.2%. It was followed by Guardian Insurance Co., New York, with 19.9% and First Wisconsin National Bank, Madison, with 19.5%.

In the fourth quarter, First Interstate Bank of Oklahoma, Oklahoma City, led the PIPER universe with a return of 9.1%. It was followed by Boatmen's First National Bank of Kansas City, Mo., with 8.3%, and American National Bank & Trust Co. of Chattanooga, Tenn., with 7.9%.

First Interstate Bank of Oklahoma's return was a turnaround from the third quarter, said Lee Liscom, vice president and chief investment officer.

The $25 million equity fund "got hit in the consumer services area during the third quarter with a fairly large weighting. Those stocks seemed to be the ones that came back in the fourth quarter. What happened for us was a snap-back from the third quarter," Mr. Liscom said.

First Interstate applies a dividend discount model dividing the market into 11 sectors, each with specific buy and sell rules, said Mr. Liscom.

For instance, in the energy sector First Interstate buys on long-term value, earnings surprise, earnings acceleration and momentum, while in the technology sector only earnings acceleration and price momentum are considered.

First Interstate of Oklahoma narrowly missed the top quartile for the one-year period with a 19.5% return and was in the top 10% for the five- and 10-year periods with annualized returns of 22.5% and 17.1% respectively.

The $20 million equity portfolio at Boatmen's First National, ranked second for the quarter, had a definite high-quality bias, said Steven Pohle, vice president.

The portfolio was overweighted in the technology sector for the quarter, said Mr. Pohle. Major portfolio positions include **General Electric**, **Owens-Illinois Inc.** and **Digital Equipment**, the largest single holding.

"We consider ourselves sector rotators. We are certainly not market timers," he said. "During the fourth quarter we held a lot of large-capitalization, high-quality, blue-chip stocks," he said.

The $20 million corporate employee benefit equity fund at American National Bank & Trust of Chattanooga, finished the quarter third.

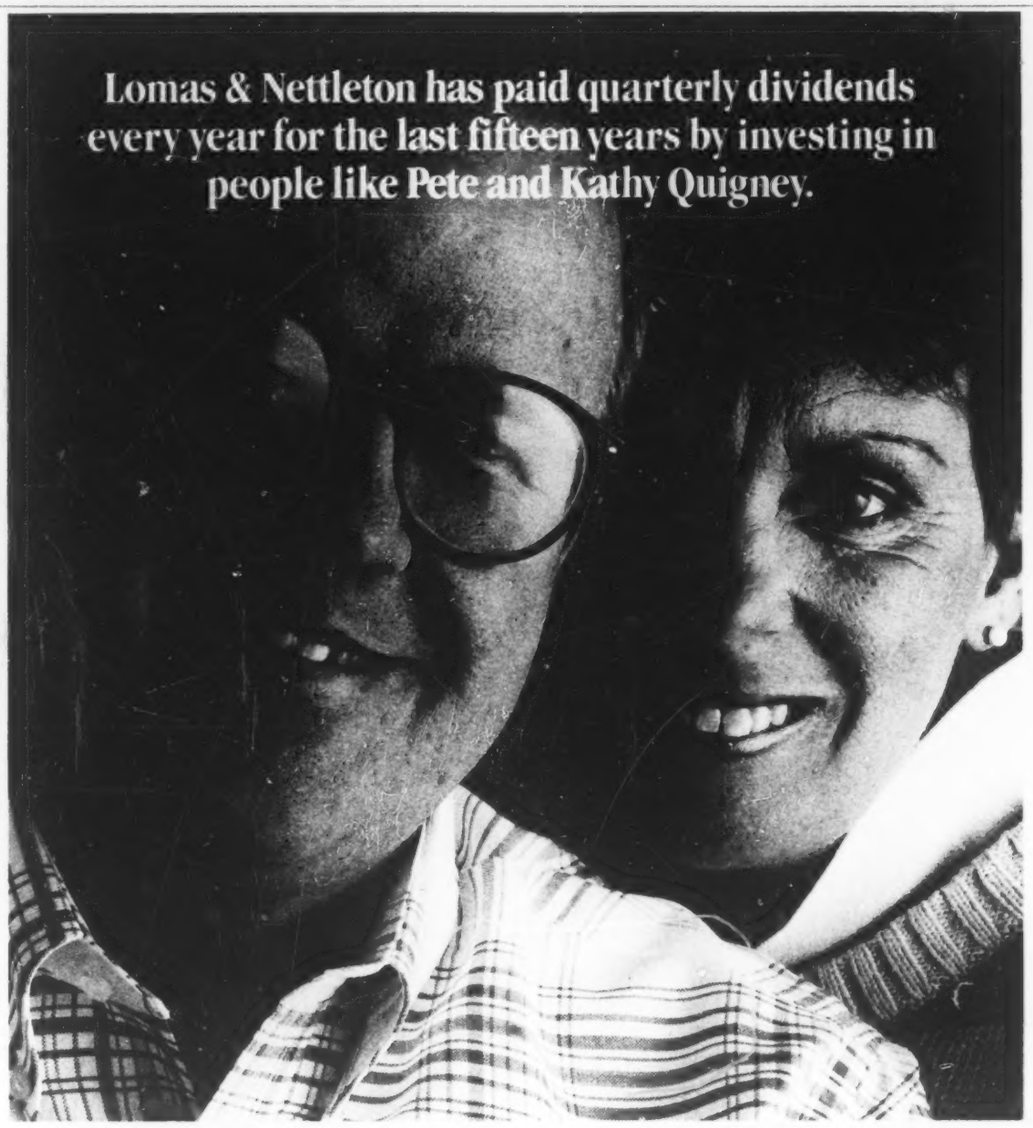
"It was a big-cap quarter," said Dale Holmes, portfolio manager and trust investment officer. "We are growth-stock investors with quality standards requiring us to focus on large-capitalization stocks.

We were fortunate in the fourth quarter in that there was a movement to quality after the Boesky affair."

Major holdings in the American National equity portfolio include **Merck**, **General Electric**, **Bristol-Myers Co.**, **Eastman Kodak Co.**, **Minnesota Mining & Manufacturing Co.** and **Wal-Mart Stores Inc.** ■

*Continued from page 24*

| | |
|---|---|
| Bank of New England, Mass. | 11.4 |
| Merchants National, Pa. | 11.4 |
| First Interstate of Ariz. | 11.4 |
| Boatmen's National, Mo. | 11.3 |
| American National Bank, Tenn. | 11.3 |
| Mercantile Bank (Col.), Mo. | 11.3 |
| Connecticut National Bank (EB) | 11.1 |
| CIGNA (Pub. traded), Conn. | 11.1 |
| Lloyds Bank (C), Calif. | 11.1 |
| Cullen Bank (EB), Texas | 11.0 |
| AmeriTrust (Reserve), Ohio | 11.0 |
| Bankers Trust (B), N.Y. | 11.0 |
| First Bank Milwaukee, Wis. | 11.0 |
| IAA Trust Co. (B), Ill. | 11.0 |
| John Hancock, Mass. | 10.9 |
| Toledo Trust, Ohio | 10.9 |
| Oregon Bank | 10.9 |
| Key Trust Co., N.Y. | 10.9 |
| Bessemer Trust, N.Y. | 10.9 |
| Bankers Trust (A), N.Y. | 10.8 |
| Citicorp, N.Y. | 10.8 |
| American National (EB), Minn. | 10.8 |
| First of Neenah (Long-term), Wis. | 10.8 |
| First of Maryland | 10.7 |
| Assoc. Manitowoc (Hi. inc.), Wis. | 10.7 |
| C&S Trust Florida (EB) | 10.7 |
| Mellon Bank (EB), Pa. | 10.7 |
| Indiana National Bank | 10.7 |
| **Shearson Lehman G/C Index** | **10.4** |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# Delaware . . .

*Continued from page 15*

Kenneth Holmes, vice president in charge of investment marketing. The average maturity in the portfolio is 10.6 years, he said.

Being in the middle of the maturity range allows the fund to reap some of the benefit when long bonds are performing well and some when short ones are performing best, he said.

In mid-1986, the fund went largely into mortgage-related securities. It had been primarily in Treasuries, before yield spreads widened sufficiently to warrant a move, and also used a lot of regional bank bonds.

"Mortgages are the only place you get extremely high credit quality with high incremental yields," said David W. Baldt, senior vice president and director of fixed-income investments. "We're not promising we're going to stay there, but in the latter half of 1986 that was the place to be."

Mr. Baldt wouldn't say where the fund might move next, but said it avoids industrial bonds because of leveraged buy-out threats. "There's no telling what companies will fall next," he said.

The fund keeps to high-quality securities; at the end of 1986, 85% of the portfolio was rated AAA, Mr. Holmes said.

Delaware Trust avoids interest rate forecasting. "We monitor the major interest rate forecast people and find that they're less than 50% accurate," Mr. Baldt said.

"We do not believe that anyone can forecast interest rates accurately and consistently," Mr. Holmes added.

In contrast to this philosophy is that of United Capital Management, the investment subsidiary of United Bank of Denver. Its fixed-income strategy relies primarily on interest rate forecasting, which then is supplemented by decisions based on sector spreads, said W. Lon Schreur, president of United Capital.

The commingled fund it manages for United Bank topped PIPER performers for the three-, five- and 10-year periods of the survey. Its compound annual return was 23.7% for the three years, 23% for five and 12.8% for 10. It placed fifth for calendar 1986, with 21.2%.

The fund, now at $31 million, went into long bonds — to a 22-year average maturity from a six-year average maturity — in 1980 and 1981 and stayed long until January 1986, Mr. Schreur said. Management brought the average maturity down throughout 1986, to seven years at year end, he said.

The fund went long when management believed inflation had peaked, Mr. Schreur said. But United Capital officials now believe inflation has hit its low for this cycle and will pick up, he said. Interest rates also will be higher the rest of the year, he predicted.

In keeping with that scenario, he said he would expect to bring the United Bank bond portfolio's average maturity to four or five years during 1987.

Along with changing maturities, the fund has changed the type of bonds it holds. In 1981 and 1982, when yield spreads were wide, it held many A and BAA rated corporate issues. In recent years, it upgraded its holdings and now is mainly in government securities, Mr. Schreur said.

The fund's performance fell off in the fourth quarter of 1986, when it was in the seventh decile with a 2.8% return. Mr. Schreur attributed this to the shortening of maturities in the portfolio.

"We're penalizing short-term performance to get ourselves positioned for the next major move," he said.

First Interstate Bank of Denver's bond fund benefited from good security selection to place it among the top three in all periods except 10 years, when it still ranked in the top 10%.

The fund returned 23.1% in 1986, placing it second, and 5.3% in the fourth quarter, making it third. It ranked second in both the three- and five-year periods, with compound annual returns of 22.7% and 22.1%, respectively. In the 10 years ended Dec. 31, its annualized return was 11.9%.

The fund, with assets of roughly $70 million, is about 60% in corporate bonds, 20% in Treasuries and 20% in government agency issues, said Jay Barr, vice president of Denver Investment Advisors Inc., the First Interstate spinoff that manages the bond fund.

It went to that allocation during October and November, after having been about 60% in governments and 40% in corporates since the end of 1985, Mr. Barr said. The fund typically has a high allocation to corporates because the fixed-income management group has been good at selecting them, he said.

However, the fund moved into governments at the right time, when they were outperforming corporates, then switched back to a higher allocation to corporates when yield spreads narrowed, Mr. Barr said.

The bonds now in the portfolio have an average quality rating of A+, he said. Average maturity at year end was 7.6 years. The corporate issues are divided about evenly among financial, industrial and utility bonds, he said.

Denver Investment Advisors eschews market timing and does minimal interest rate forecasting, relying instead on security selection, Mr. Barr said.

Life of Virginia's bond fund was among the top five performers for the three-, five- and 10-year periods of the survey. Its three-year compound annual return was 20.7%, tying it for fifth; its five-year number was 21.7%, putting it third; and its 10-year figure was 12.5%, tying it for fourth.

Its performance dropped off somewhat in 1986, when it finished the year with a return of 15.7%, just topping the index and placing in the third decile. In the fourth quarter, it returned 3.9% and placed in the second decile.

The 1986 performance slipped because long Treasuries outper-

*Continued on page 27*


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# Public funds hike specialty allocations

GREENWICH, Conn. — Increased assets allowed public pension funds to throw more money into specialty management and passive investing in 1986, but active management still played a large role, according to a study by Greenwich Associates.

Although good performance boosted pension assets nearly 29% in 1986, increasing unfunded liabilities have fund officials scampering just to stay in place, according to the report.

The study, the fifth annual report to participants on the management of public pension funds, surveyed 270 funds whose assets total $540 billion.

In the past 12 months, 43% of the public funds surveyed hired new managers, while 24% terminated a manager.

The average public fund now uses more than six managers, double the number of five years ago.

This is a byproduct of the trend toward specialty management, according to the report.

A prominent example is the Teachers' Retirement System of Louisiana, Baton Rouge.

In a move toward specialty management effective this year, the system terminated one manager and hired five new ones (*Pensions & Investment Age*, Jan. 26).

According to the report, 43% of the public funds plan to hire new managers by the end of 1987. If these intentions are carried out, about 325 hirings will occur.

Within five years, public funds also expect to increase the average number of managers used to 7.8 from 6.1 in 1986.

Public funds invest almost $95 billion in stock and bond index funds and by 1989 the number should exceed $170 billion, the report said. Indexing's low costs and guaranteed market returns make it an attractive investment vehicle for public funds.

Last year, the Public Employees' Retirement System of Mississippi, Jackson, began the process of indexing 50% of its equity and fixed-income assets (*P&I Age*, Jan. 26).

Common stock index funds are now used by 22% of all public funds, the report said. By the end of 1987, 29% of all public funds will be using them.

Bond index funds are just beginning to surge. Now used by 9% of all public funds, Greenwich Associates predicts 14% will be using indexed bonds by the end of this year.

Actively managed assets, however, also increased. Stock investments now make up 37.6% of assets, compared with the previous year's 33.1%. Actively managed bonds increased 14.6% to $181 billion from $158 billion.

Other growing investment areas are equity real estate, mortgages, venture capital and portfolio insurance.

According to the study, 40% of public funds use equity real estate, and Greenwich Associates predicts an additional 9% of all funds will launch such investments by the end of this year.

Mortgages are now used by 34% of the public funds, up from 26% in 1985, the study showed. And by year end, mortgages should be included in the portfolios of 41% of all public funds.

According to Greenwich, venture capital is used by 17% of the funds, and should jump to 22% by the end of 1987. In 1985, 12% of the funds used venture capital, and in 1984, only 9% used this vehicle.

Only 5% of funds use portfolio insurance, but this percentage should double by the end of 1987, the study said. ■

## Delaware . . .

*Continued from page 26*

formed corporate issues so significantly in the early part of the year, and the fund was concentrated in corporates, said L. David Hale, senior vice president of Continental Investment Advisors Ltd., Richmond, which ran the fund through Dec. 31.

(Continental Investment had been an affiliate of Life of Virginia, which was purchased by Combined International Corp., last year. Continental Investment's management is buying the money management firm's stock from Combined, with the transfer to be completed April 1. Combined has assembled an in-house investment staff for the Life of Virginia fund, while Continental Investment, as an independent firm, will continue to serve outside clients.)

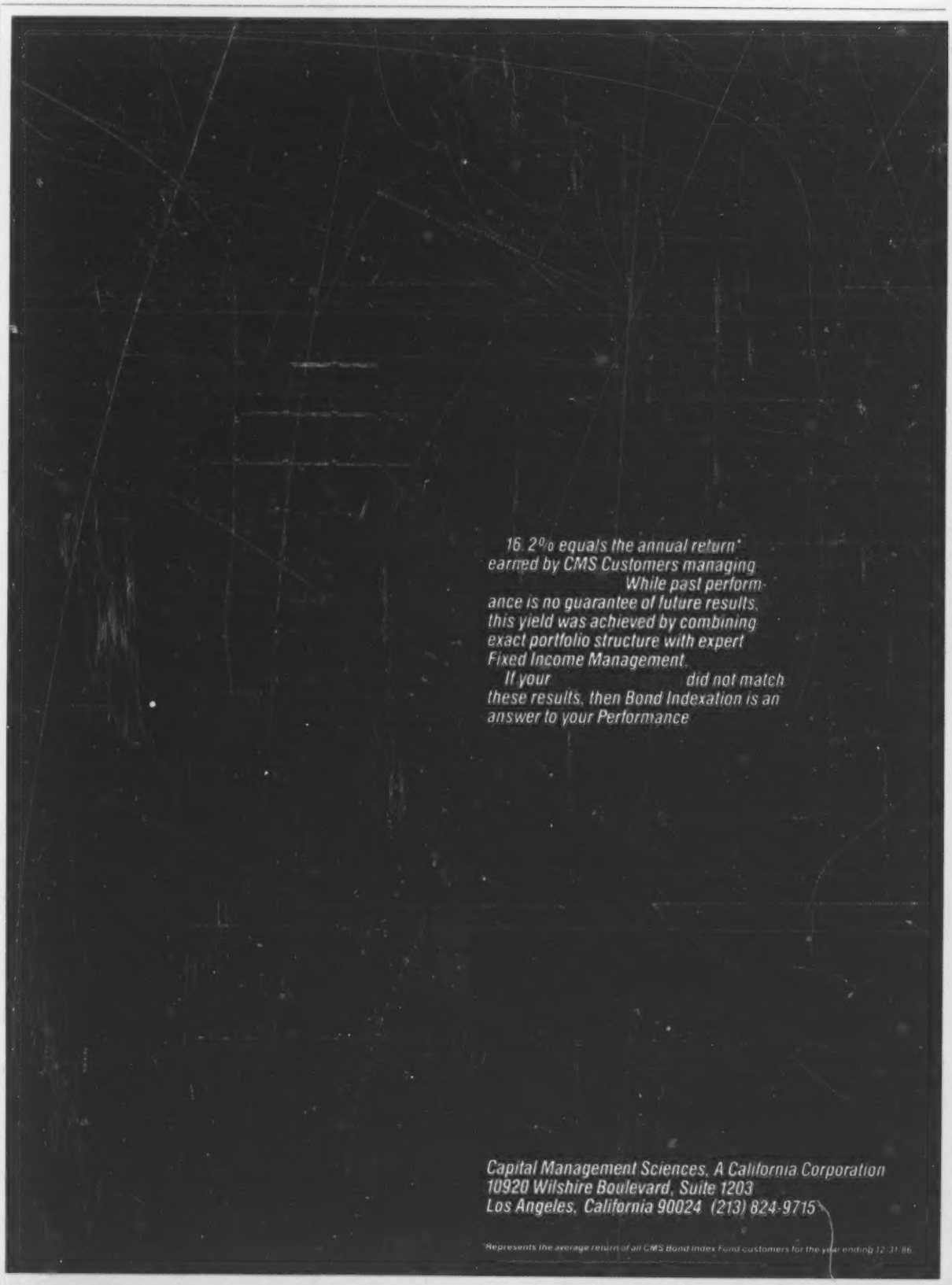
Continental Investment's strategy concentrates on corporate bonds with sinking fund provisions, meaning a portion of the principal must be retired each year. As of Dec. 31, the $400 million Life of Virginia portfolio was 80% in corporates and 20% in mortgage-backed securities, Mr. Hale said. The average maturity was 11 years and the average quality was A+, he said.

Other funds in the top five for the quarter were Connecticut National Bank, Hartford, second with 5.7%, and RepublicBank Dallas and Chase Manhattan Bank, New York, tied for fourth with 5%.

Other top performers for the year were Equitable Life Assurance Society of the United States, New York, third with 22.2%, and Chase Manhattan, fifth with 21.3%.

Equitable Life was fourth for the three-year period with 20.9% and Connecticut National tied with Life of Virginia for fifth with 20.7%. Connecticut National was fourth for the five-year period with 20.4%.

For the 10-year period, Sovran Bank, Richmond, was second with 12.7%; Bank IV Wichita, Kan., was third with 12.6%; and Fidelity Bank, Philadelphia, tied with Life of Virginia for fourth with 12.5%. ■



# Cash Management

## CIGNA taps controlled disbursement

By Barry B. Burr

HARTFORD, Conn. — CIGNA Corp. executives now use controlled disbursement for the bulk of CIGNA's payments, a practice other insurance company officials are divided over adopting.

CIGNA, of Hartford, Conn., opened controlled disbursement for three of its four divisions with Bankers Trust (Delaware) Co., Wilmington, Del.

Aetna Life & Casualty Co., while it had been using controlled disbursement for a couple of years at banks in its Hartford base, recently established additional accounts in Delaware with the Wilmington offices of Citibank and Morgan Guaranty Trust Co.

But The Travelers Cos., also of Hartford, still uses ordinary disbursement accounts at two local banks, Connecticut National Bank and Connecticut Bank & Trust Co.

"It's not that we haven't considered it by any means," said Bruce H. Diesl, Travelers' director-corporate finance. He noted he has visited several banks offering the service, including New York banks' operations in Delaware.

Cash management executives gave different views on how widespread controlled disbursement is in the insurance industry, although they agreed the practice is routine among companies in other industries.

"I would consider that rather unusual" for a company not to have controlled disbursement, said Steven F. Maier, president of UAI Technology Inc., Research Triangle Park, N.C., a consulting company. "One expects to find controlled disbursement done rather universally today," he said.

But Travelers' Mr. Diesl contends that, among insurers, "more of them don't use that product than do," although no regulation precludes the use.

At Aetna, James L. McAuley, assistant vice president-banking services, said, "I don't think it's unusual for insurance companies" to use controlled disbursement.

With controlled disbursement, corporations get better control over the amount of checks that clear against their account each day. Controlled disbursement sites ideally are situated outside major cities, where presentments, or check deliveries, come only once or twice a day — early in the morning — and come from only one Federal Reserve Bank.

Thus, the controlled disbursement bank avoids presentments from other sources, such as other banks, which might come later in the day. Corporations, by knowing the exact amount needed to fund their controlled disbursement accounts to pay the checks, can take advantage of more attractive early morning money markets to invest idle cash or to borrow.

*Stephen J. Myott, CIGNA's directory-treasury services, said the company has moved to controlled disbursements to better serve the business and its customers.*

"I think today that the key reason for doing it is information," Mr. Maier said. "Float isn't important.

"There is nothing about controlled disbursement that extends float." Those interviewed were careful to distinguish between controlled disbursement and remote disbursement.

Stephen J. Myott, CIGNA's director-treasury services, said, "We feel from a business and customer standpoint we ought not to disburse remotely from where we do business."

"There is not a significant float advantage in Delaware," said Anne S. Bradley, vice president at Chemical Bank's controlled disbursement operation in Wilmington.

William N. Natsis, vice president, Bankers Trust (Delaware) added, "Delaware is probably the best controlled disbursement site without being remote."

Mr. Myott said the insurance company moved its principal accounts that were at Hartford banks to Delaware. He declined to identify the Delaware bank, but *Pensions & Investment Age* learned it is Bankers.

Mr. Myott said CIGNA clears some 9 million items, about $3 billion to $4 billion, annually in the account. He said the company wanted a better forecast of cash flow.

He said the bank reports its first presentment at 8 a.m. and the second, and last, by 10:15 a.m.

Before the move, he said, CIGNA would forecast its daily cash needs, revising them often as updated clearings were reported.

"On any given day we could miss our clearings by a wide margin," he said. "If overdrafts became systematic, we would be concerned. It was not in keeping

*Continued on page 41*

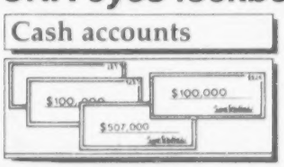
### Payden & Rygel index of short maturity assets*

(for month ended Jan. 31)

| | January 1987 | Quarter ended 12/31/86 | Year to date | 12 months ended 1/31/87 | Yield level monthly change** |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **30-day** | | | | | |
| U.S. Treasury bill | 0.5139 | 1.2980 | 0.5139 | 6.5211 | −7 |
| Domestic CD | 0.6022 | 1.4062 | 0.6022 | 7.0885 | −37 |
| Euro $ CD | 0.5503 | 1.4733 | 0.5503 | 7.1887 | −10 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.5274 | 1.3173 | 0.5274 | 7.0857 | −5 |
| Domestic CD | 0.6001 | 1.3516 | 0.6001 | 7.4435 | −20 |
| Euro $ CD | 0.5174 | 1.4227 | 0.5174 | 7.5534 | 0 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.5229 | 1.3461 | 0.5229 | 8.0872 | −2 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.5749 | 1.6459 | 0.5749 | 10.1256 | −2 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
**Basis points.
Source: Payden & Rygel, Los Angeles

## CNA eyes lockbox consolidation




CHICAGO — CNA Insurance Cos. officials are reviewing CNA's seven wholesale lockbox banks in hopes of consolidating and reducing processing costs.

The Chicago company retained Harris Trust and Savings Bank, Chicago, for the study, said David Berkow, who has been cash manager for about seven months.

Harris is one of the seven lockbox banks. The others are: First Interstate Bank, Los Angeles; RepublicBank Dallas; First Wachovia Corp.'s First National Bank of Atlanta; National Bank of Detroit; First Pennsylvania Bank, Philadelphia; and Connecticut Bank and Trust Co., Hartford.

The lockboxes, which were selected about five years ago, handle property and casualty remittances sent by agents. As wholesale lockboxes, they handle large payments.

Brian Loebach, manager cash analysis and collateral, said the diminished value of float as inter-

*Continued on page 40*

## Electronic statements gain

By Chuck Paustian

Electronic transmission of account analysis statements slowly is garnering support among corporate and bank cash management professionals.

Chevron Corp., San Francisco, and Westinghouse Electric Corp., Pittsburgh, are the latest companies setting up systems to receive account analysis data electronically from their banks.

The two corporate pioneers in electronic transmission of account analysis statements — Ford Motor Co., Dearborn, Mich., and Procter & Gamble Co., Cincinnati — already have started receiving test transmissions from four banks.

Ford has received monthly data from Sovran Bank, Richmond, Va., since November. Procter & Gamble has received transmissions from Citibank, New York, The Central Trust Co. and Fifth Third Bank, both in Cincinnati, since December.

Other banks that have agreed to work with Ford and Procter & Gamble on sending account analysis statements electronically are Continental Illinois National Bank and Trust Co., Chicago, and Manufacturers Hanover Trust Co. and Morgan Guaranty Trust Co., both in New York.

By receiving account analysis statements electronically, corporations can facilitate reviewing these statements and realize substantial savings of time, effort and expense.

"If we could get our top 15 banks (on the system), we could cut by 85% our data entry," said Patrick J. Finan, senior systems analyst at Procter & Gamble.

Those kind of results have caught the attention of cash managers at other corporations.

"We have looked at what Ford and P&G have done, as well as what the (National Corporate Cash Management Association) has done to standardize the account analysis form, and we believe at some point it would be smart to receive account analysis

*Continued on page 40*

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# Pensions & Investment Age



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# Ginnie Mae payment delays hurt funds

By Barry B. Burr

Difficulties in recording mortgage-backed securities trades and payments are costing pension funds millions of dollars in potential earnings, fund officials and bank executives acknowledge.

State Street Bank and Trust Co., Boston, lost its largest pension custodial account, the $7.1 billion Teamsters, Central States, Southeast & Southwest Areas Pension Fund, Chicago, over a dispute about uncredited interest on and failed purchases of mortgage-backed securities.

The fund had about $1.1 billion in mortgage-backed securities, including about $666 million in Government National Mortgage Association bonds, as of Dec. 31.

The $7.3 billion Los Angeles County Employees' Retirement Association almost dropped Brown Brothers Harriman & Co., New York, believing the manager was performing poorly. But the problem arose from difficulties Security Pacific National Bank, Los Angeles, the fund's custodian, had in recording payments on the mortgage-backed securities Brown Brothers was managing, according to fund officials.

The fund had $1.1 billion in mortgage-backed securities as of June 30. The fund decided to keep its account with Security Pacific.

Scudder, Stevens & Clark Ltd., Boston, is the largest mortgage-backed securities investment adviser. Keeping track of the securities' payments "is a massive job," said David H. Glen, vice president of Scudder, Stevens.

"Mortgage-backed securities are the worst things banks have to contend with," said Catherine Janson, investment coordinator at Buck Pension Fund Services Inc., New York.

Many problems go unnoticed by pension fund officials. For example, some executives of large pension plans who were interviewed were unable to say how timely their payments are credited to their accounts at their custodial banks.

Because the problems can be costly, many trust departments and pension clients are reluctant to acknowledge them.

Central States first uncovered the problems after a routine audit of the fund by its internal audit staff in late summer 1985, said George W. Lehr, executive director.

The Central States' staff auditors found State Street was not crediting monthly payments on some securities on a timely basis.

Mr. Lehr said the problems continued for months, despite promises by State Street executives to correct them.

"Mechanically, they weren't able to handle it," he said.

The problem was particularly acute because of the rapid paydown in principal by mortgage


*Continued on page 62*

Photo by Michael Marcotte

*Processing Ginnie Mae payments, which must be done manually, is a time-consuming process. At Harris Trust and Savings Bank, Chicago, staff members from other areas are tapped for duty.*

## Inside:


**INTERNATIONAL: Problems with settling trades in foreign countries such as Italy and Spain has caused some institutional investors to pull back from those markets, missing out on market gains — page 37.**

**GOOD SKATE: After making a name for himself in figure skating and broadcasting, Misha Petkevich has successfully glided over to an analyst's job at Wall Street's Hambrecht & Quist — page 53.**

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# CEOs lobbied for pension votes in favor of anti-takeover plans

By Marcia Parker and Joel Chernoff

The chief executives of Rockwell International Corp. and GTE Corp. have sent letters to their Fortune 500 counterparts asking them to lobby their pension executives and money managers to vote in favor of anti-takeover measures.

The letters went out just before special meetings were scheduled at which the two companies' stockholders were being asked to vote on management-sponsored charter amendments designed to ward off raiders.

The changes were approved by wide margins by GTE stockholders Dec. 24 and by Rockwell shareholders Feb. 11.

As of Dec. 31, institutions held slightly more than 50% of both companies' stock, according CDA Technologies Inc., Silver Spring, Md.

*Pensions & Investment Age* obtained copies of the letters, along with a memorandum from well-known takeover lawyer Martin Lipton of Wachtell, Lipton, Rosen & Katz, New York, that he sent to clients in mid-February urging them to follow the lead of GTE's Theodore Brophy and Rockwell's Robert Anderson and "make their views known to their pension fund managers, banks, insurance companies and other institutions."

*The plea by Rockwell's Robert Anderson, left, for corporate executives to lobby their pension funds was heeded by Goodyear's Robert E. Mercer.*

Citing creation of investor groups such as the Council of Institutional Investors and T. Boone Pickens Jr.'s United Shareholders of America, and sponsorship by major pension funds of proxy resolutions attacking "poison pill" provisions, Mr. Lipton said "it has become clear that institutional investors are supporting corporate raiders for the purpose of continuing the junk-bond bust-up takeover frenzy."

In his memo, Mr. Lipton also took one step further a controversial proposal by New Bedford, Mass.-


*Continued on page 61*


# Airline drops dedication

By Fred Williams

FORT WORTH, Texas — American Airlines has liquidated its $1 billion dedicated bond portfolio and set up a dollar duration bond portfolio, correlating the duration of plan assets and liabilities to take advantage of interest rate fluctuations and reduce volatility of pension expenses.

The program is called HALO — hedged asset/liability optimization — by the American pension executives who developed the concept. HALO effectively allows the company to cover its pension liabilities by investing less than half of its $1.7 billion in total defined benefit assets in a special internally managed bond portfolio of longer duration than in the internally managed dedicated portfolio.

Duration is the time it takes for an investor to recover half of the present value of the cash flow of the security.

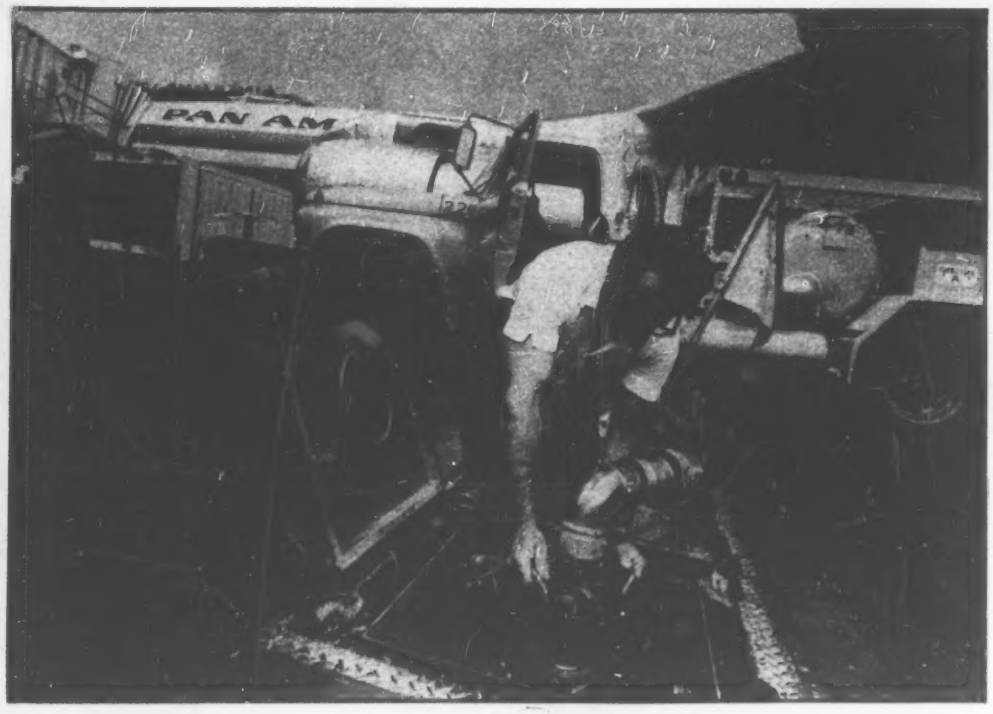
In setting up a dollar duration bond portfolio, the dollar change in the value of the assets and liabilities becomes roughly equal.

The program involved the sale of about $1.05 billion in bonds and the repurchase of some $850 million in long duration bonds, concentrated primarily in government bonds, zero-coupon securities and treasury receipts, said William F. Quinn, assistant treasurer-funds management.

Pension liabilities at American total about $1.7 billion with a duration of 8½ years. The new bond portfolio has a duration of 17 years, he said.

The procedure allowed American to lock in the pension surplus and minimize interest rate risks, said Mr. Quinn. He would


*Continued on page 63*




*The possible purchase of Pan Am by AMR Corp. was grounded in part by a large unfunded liability.*

# Unfunded liability casts pall over Pan Am buy-out

By Fred Williams

FORT WORTH, Texas — Pan American World Airways Inc.'s unfunded pension liability of $670 million was among the major reasons AMR Corp., the parent company of American Airlines Inc., decided in late February not to acquire Pan Am, analysts say.

AMR, Fort Worth, announced late last month it wouldn't bid on New York-based Pan Am after weighing the deal for nearly a month. American and Pan Am exchanged financial and operating data in January.

William F. Quinn, assistant treasurer-funds management at American, said the pension liability was a significant factor in deciding not to pursue the deal.

"Yes, we obviously considered it (the unfunded liability) among other assets and liabilities in determining the overall value of the company," he said.

"It clearly was not a plus factor in assuming a major unfunded liability, but that was only one part of the overall analysis. If there had been other pluses which offset the negatives, the result may have been different," Mr. Quinn said.

"It was only one of many reasons we didn't think it would make sense for us," he said. Other reasons included integrating work forces, the overall value of Pan Am's assets and American's ability to gain access to European routes without Pan Am.

Pan Am's unfunded liability totaled about $670 million as of Dec. 31.

Several analysts agreed the pension liabilities at Pan Am played a significant role in American's decision to walk away from a proposed acquisition of part or all of Pan Am.

"I think it was one of several very important factors," said Julius Maldutis Jr., airline analyst at Salomon Brothers Inc., New York. "I wouldn't place it as *the* most important, but it definitely played a part in the decision."

Other factors were the aging Pan Am fleet and the company's shaky financial condition, including more than $800 million in long-term debt.

Anthony Hatch, airline analyst at Argus Research Corp., New York, said, "Over- or underfunded pension plans certainly are part of the deal and figure into the acquisition fees, even though they are often less obvious. Certainly American must consider all of that and decide if it is cost effective."

Mr. Hatch said Pan Am's unfunded pension liability "will certainly make them hard to sell" since the liability is almost as much as the price of Pan Am's stock. At $6.50 per share, the 136,434 shares of Pan Am stock outstanding would total $887 million.

"Pension costs and liabilities must enter into the calculation of the overall net asset value of the property," said Mr. Hatch.

He characterized the overall financial health of Pan Am as "weak" with "no real obvious prospects of a turnaround."

Except for 1985, the airline has

*Continued on page 62*

# IBM's Shultz to RJR; 4 more switch jobs

Robert E. Shultz, director of U.S. retirement funds at IBM Corp., is joining RJR Nabisco Inc. as vice president-pension asset management.

Separately, three other corporate pension executives and one public fund executive have made job changes.

Philip J. Schneider has left his position as assistant treasurer-employee trusts at Baxter Travenol Laboratories Inc. to take a job at a division of The Wyatt Co. Carolyn Groh, formerly manager-investment administration at Federated Department Stores Inc., has joined Mead Corp. as manager of pension investments. Charles Tharp has left PepsiCo Inc. as director of benefits for its $570 million pension fund. And Layne Denning, executive director, left the Denver Employees' Retirement Plan to become president and chairman of Intermountain Capital Management Inc., Denver.

Other than to say he looked forward to the opportunities at RJR, Mr. Shultz declined to comment on the reasons for his departure from IBM.

Mr. Shultz, who has been at IBM, Stamford, Conn., for almost seven years, will report to Edward J. Robinson, senior vice president and chief financial officer at RJR Nabisco, Winston-Salem, N.C.

Mr. Shultz's appointment requires approval of RJR's board of directors, which is expected to take action March 19, said company spokesman Bill Ruffin. IBM has yet to announce a successor to Mr. Shultz.

Mr. Ruffin declined to comment on how Mr. Shultz's arrival will affect Robert Bennett, president of RJR Investment Management. Mr. Bennett's relationship to others in RJR corporate hierarchy also remains unclear.

When Gene A. Hoots, who was replaced by Mr. Bennett late last year, served as president of RJR Investment Management, he reported to John Dowdle, senior vice president-financial services, who in turn reported to Gwain Gillespie, the chief financial officer.

Mr. Hoots joined Reich & Tang Inc., New York, as a vice president while Messrs. Gillespie and Dowdle retired.

RJR Nabisco has been in transition, consolidating investment managers and developing investment strategy. Several key executives left after the 1985 merger of R.J. Reynolds Industries Inc. and Nabisco Brands Inc., including Messrs. Gillespie, Dowdle and Hoots.

As of Sept. 30, RJR's employee benefit assets totaled $3.2 billion.

Having made his home on Long Island, Mr. Shultz said Winston-Salem will be a big change. Eventually he will be moving to Atlanta, probably in fall, to RJR Nabisco's new headquarters.

Before going to IBM, Mr. Shultz was general financial supervisor of pension funds at New York Telephone Co., and pension funds administration manager at Western Electric Co., both in New York.

He is a member of the board of directors of the Institute for Quantitative Research in Finance and past president of Pension Group East. He is a member of the client advisory board at Chase

*Robert E. Shultz, who directed retirement funds at IBM, has moved to RJR Nabisco.*

Manhattan Bank, the Investment Technology Association, and the committee on investment of employee benefit assets of the Financial Executives Institute.

Mr. Schneider, who begins his new job March 16, will be a consultant in the Chicago office of Wyatt Asset Services Inc., a subsidiary of The Wyatt Co. He reports to Asghar Alam, who is chairman of the asset services practice committee.

His successor at Baxter Travenol has not been named.

As manager of pension investments at Mead, Dayton, Ohio, Ms. Groh will report to Gerald W. Bialka, assistant treasurer. Mead has about $550 million in pension assets.

She replaces Jane Burruss, who

*Continued on page 63*

# Passive equity cut

## Alaska fund transfers $725 million

By Steve Hemmerick

JUNEAU, Alaska — Alaska Permanent Fund Corp. trustees are reducing the fund's passive equity portfolio, part of a move to decrease the fund's equity exposure by $725 million and shift the money into Treasury securities.

The action is the reverse of a long trend by pension plans during the five-year bull market to put increasing amounts into passive equity portfolios. Many fund executives have increased passive management because of disillusionment with active managers' ability to outperform the stock market indexes.

But David Rose, executive director of the $9 billion Alaska fund, expects a drop, or at least a sharp correction, in the market in the coming months, and recommended passive equities be cut because he believes active managers tend to do better than the index in a falling market. He also said he wanted to take profits out of the passive fund.

The approximately $1.3 billion passive portfolio, which tracks the S&P 500, is managed by Bankers Trust — Investment Management Group, New York.

The passive portfolio will retain about $550 million. No money will be taken from the fund's five active equity managers, which manage a total of $550 million.

Mr. Rose noted the Alaska Permanent Fund is conservatively invested. With the additional money shifted into bonds, the asset mix of the fund ultimately will be about 84% fixed income, 4% real estate and 12% stocks, compared

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## Opinion

# No call for pressure on proxies

PENSION FUNDS SHOULD VOTE their proxies, but they should vote them in the long-term best interests of their beneficiaries. ERISA demands it.

The Employee Retirement Income Security Act requires pension fund assets to be invested solely in the interests of the beneficiaries and, clearly, proxy votes are part of the assets.

Unfortunately, some corporations are attempting to pressure pension executives and managers to vote the proxies in support of proposals to entrench management.

As reported on Page 1 of this issue, a number of letters have been circulated to corporate chief executives enlisting the support of their pension funds in proxy votes in favor of managements that believed themselves vulnerable to takeover bids. Phone calls have been made on other occasions.

In one letter, Martin Lipton, partner in the law firm Wachtell, Lipton, Rosen & Katz, urged all companies to instruct their pension fund managers to vote in favor of charter amendments designed to protect management against "abusive takeover tactics."

Mr. Lipton declared "it has become clear that institutional investors are supporting corporate raiders for the purpose of continuing the junk-bond bust-up takeover frenzy."

In another letter, Theodore F. Brophy, chairman of the board of GTE Corp., suggested other top corporate executives tell the managers of their pension funds to vote for the proposals adopted by GTE's board "if you agree that the proposals will benefit GTE's shareholders in the long run."

The top executives of other companies, who may themselves become targets of unfriendly takeover efforts, are hardly the best-qualified judges of whether the anti-raider proposals of GTE's board are in the long-term best interests of the shareholders.

Corporate pension executives, daily involved in the stock and bond markets, would be better qualified to make a reasoned, unbiased determination on the issue. They also generally pursue the long-term best interests of the pension plan beneficiaries. However, as these letters demonstrate, they may be vulnerable to pressure from top management.

The investment managers, with research resources at their disposal, with an understanding of whether management is doing a good job, and further removed from corporate politics, are the best qualified to decide what is in the long-term best interests of the shareholders and thus the beneficiaries.

Despite Mr. Lipton's intemperate letter, institutional investors are not interested in supporting corporate raiders, or in feeding the "junk-bond bust-up takeover frenzy."

They are interested in getting the best long-term investment results for their clients — in effect, the pension beneficiaries.

Any money managers or pension executives who succumbed to pressure from top management to support with proxy votes another company's top management might find themselves in breach of their fiduciary duties under ERISA.

# A 'half-full' view of the economy

A RECENT REPORT by Polyconomics Inc. provides evidence as to why the economy and the stock market have confounded economists and market analysts who have been predicting doom and gloom.

The economy has performed much better than many analysts give it credit for, the Polyconomics report shows. For example, while many reports suggest the U.S. standard of living has declined in the past five years, the Polyconomics report shows real after-tax income per capita rose 11.3% compared with only 7.5% between 1973 and 1980.

Similarly, reports that U.S. manufacturing industries are dying are premature, the Polyconomics report suggests. It states manufacturing output in the United States increased almost 30% between late 1982 and the end of 1986, a rate exceeding all other major countries. Manufacturing productivity improved 4.1% per year between 1981 and 1985 compared with a 0.9% annual increase in the 1976-1980 period.

From 1980 to 1985 employment in the United States increased by 1.5% annually, 1% in Japan and declined by 0.3% per year in the European Economic Community.

The Polyconomics analysis said the U.S. trade deficit did not indicate the United States was not competitive. The trade deficit did not arise from excessive merchandise imports, which actually declined to 8.7% of gross national product in 1986 from 9.4% in 1980, but from a decline in exports to 5.2% of GNP from 7.9%. The biggest trade problem confronting the United States is that it cannot export to the United States, according to Polyconomics.

The Polyconomics report also had a revisionist interpretation of the "debt crisis," arguing the nation's saving rate was a healthy 19% to 20% of GNP in 1983-'85 compared with 12% to 14% in 1976-'79 and the consumer debt burden was not excessive.

Perhaps investors, like Polyconomics Inc., have been seeing the glass half full while many economists and market analysts have been seeing it as half empty.

## Letters to the editor

### Fund omitted

To the Editor: Omitted from your listing of "Ranking of fund/sponsors" of the top 1,000 pension funds in the Jan. 26 issue of *Pensions & Investment Age* is Southwestern Public Service Co., an investor owned electric utility in Amarillo, Texas.

Pension fund assets for all plans as of Sept. 30, were $250.7 million. Retirement fund assets were $204,414; and stock bonus plans $46.3 million. MBank Dallas is the trustee for retirement fund assets.

**Larry Higgins**
Manager-employee services
Southwestern Public Service
Amarillo, Texas

### Missing data supplied

To the Editor: We were pleased to be included in your scorecard article as the top net business gainer for 1986 of firms between $250 million and $1 billion in assets under management.

Our net new equity business was $378 million and net new balanced accounts totaled $97 million.

**Kenneth S. Grossman**
Partner
Hahn Holland & Grossman
Chicago

### Objects to term use

To the Editor: On the money manager profile questionnaire, question 14 includes the phrase "Dynamic Asset Allocation" — a registered trademark of Leland O'Brien Rubinstein. We would appreciate it if, in future, you acknowledge it as such, or find a substitute phrase such as risk hedging.

**Elaine W. Baker**
Leland O'Brien Rubinstein Associates
New York

### Misattribution alleged

To the Editor: An article in the Jan. 26 issue ("Dedications fall with rates") reports me as saying a recent asset dedication enabled the Western Conference of Teamsters Pension Trust "to wipe out its unfunded liabilities" for purposes of MEPPA. This is a misattribution: I neither said, nor implied, any such thing.

In a telephone interview ostensibly dealing with the trust's asset allocation, I said that dedications enabled the trust to reduce the UVBL significantly.

I neither said it had been "wiped out," nor suggested or implied that doing so was a trust objective.

While the difference may seem unimportant to *Pensions & Investment Age*, I do not appreciate reporters taking liberties with my words, or putting words in my mouth. The error makes me reconsider my willingness to respond to requests for information in the future.

**Alan D. Biller**
Alan D. Biller & Associates Inc.
Palo Alto, Calif.

## Responses due

Questionnaires for *Pensions & Investment Age*'s annual Money Manager profiles issue, to be published May 25, are due March 16.

Investment management executives who want their firms profiled should return their completed questionnaires to Carol Wiley, directory coordinator, *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611.

Money managers who have not received questionnaires should contact Ms. Wiley at (312) 649-5486.

The annual Money Manager profiles issue lists almost 1,000 investment advisers, including managers of real estate, international and other alternative investments. The issue includes articles and statistics on the amount of tax-exempt assets managed, investment approaches, investment vehicles used and details of the largest managers.

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# Real Estate

## Wrap-up

### Trust joins in loan

WASHINGTON — The Multi-Employer Property Trust, an open-end commingled real estate fund of Kennedy Associates Real Estate Counsel Inc., Seattle, invested $17.2 million in a participating mortgage loan on the Arboretum Lakes Office Park in Lisle, Ill., a suburb of Chicago.

The trust is a co-investor with the $8 billion Alaska Permanent Fund Corp., Juneau, a trust for a portion of state royalties from Alaskan mineral rights.

The Alaska trust will invest $11.5 million in the mortgage.

Landon Butler, a member of the multi-employer trust's policy board, said his trust's investment in the participating mortgage will yield a 10.5% cash on cash return, and an estimated internal rate of return of 14% over the next 10 years. The rate of return is higher than many other current ones because the commitment was made more than a year ago, when interest rates on such loans were higher, Mr. Butler said.

"With the funding of Arboretum Lakes, we will have invested a total of $30 million in five Chicago office park properties," he noted.

"The trust's targeted Chicago investments are designed to accomplish two key objectives. First, by investing in high-quality properties in one of the nation's top office markets, the trust is meeting its long-term investment objectives. Second, we enable our Chicago-based clients to reinvest their pension fund assets in their home region," he added.

Three of the 83 pension funds in the trust are Chicago funds: the $390 million Chicago District County of Carpenters Pension Fund; the Laborers Pension Fund; and the Iron Workers Mid-America Pension Fund.

### Teachers finance mall

AUSTIN, Texas — The Teacher Retirement System of Texas has made a $52 million mortgage on Southwest Plaza Mall in Jefferson County, Colo., the largest mall in that state.

The two-level regional mall, with 1.2 million square feet, is 12 miles southwest of Denver's central business district.

The investment was made through one of the $16 billion retirement system's advisers, L.J. Melody Co., Houston, which services and manages real estate investments.

### Mall partnership set

DALLAS — A closed-end limited partnership fund that invests solely in retail shopping centers is being marketed by Lehndorff & Babson Real Estate Counsel, Dallas.

According to G. Andrews Smith, president of Lehndorff & Babson, the fund is the only one to be entirely in shopping center investments.

The fund will share investments with Lehndorff & Babson's separate account clients and thereby allow the fund to invest in several large centers, each of which will have a minimum of 800,000 square feet. The fund, which is expected to close in about 12 months, will have total assets of $75 million to $100 million.

*Continued on page 18*

# Appraisal guidelines eyed

**By John Covaleski**

In an effort to bolster pension fund executives' confidence in real estate investing, leading industry groups are pressing real estate managers to take more responsibility for the real estate appraisal process.

The National Council of Real Estate Investment Fiduciaries, New York, has proposed guidelines for how real estate managers should contract with appraisers and direct their work. The Pension Real Estate Association, Washington, is interested in using the NCREIF proposal to establish its own guidelines.

NCREIF's members are real estate managers with more than $20 billion under management from pension funds. PREA's members are both pension funds and managers whose investments in real estate account for more than $100 billion.

In another development, James A. Graaskamp, a University of Wisconsin professor who led a PREA-funded study that found widespread errors in appraisals of pension fund-held real estate, has spoken out strongly for regulating managers in the hiring of appraisers.

"My belief is that if something (establishing guidelines) isn't done, it will lead to problems for asset managers. It could make plan sponsors squeamish about real estate," he said.

Mr. Graaskamp's 1986 study of more than 50 appraisals of properties in commingled funds determined the properties can be significantly undervalued or overvalued because appraisals in general lack necessary information and appraisal methods are inconsistent (*Pensions & Investment Age*, Dec. 8).

Real estate investment managers are in most cases solely responsible for the appraisal of their commingled fund properties, either by performing appraisals with their own staff or contracting the duties of third-party appraisers. It is generally believed that establishing guidelines for contracting the service would give pension executives and other investors in real estate funds a better understanding of the appraisal process.

NCREIF's proposed "Guideline For Preparation Of An Appraisal Engagement Letter" would require that real estate managers who serve as fiduciaries, in drafting agreements with appraisers, include the methods and procedures to be used in the appraisals. The proposal also sets guidelines for other terms in engaging appraisers and requires that minimum standards be established for the appraisers' work.

*"My belief is that if something isn't done, it will lead to problems for asset managers. It could make plan sponsors squeamish about real estate."*

— James A. Graaskamp

Mark Decker, executive vice president of PREA, commended the NCREIF proposal saying, "There's a strong feeling among our leaders to adopt rules similar to theirs."

PREA President Kenneth Campia, president of LaSalle Advisors Inc., Chicago, said he expects standardization to come to the appraisal industry, but he has reservations about adopting a policy requiring managers to direct how appraisals are done. "You don't want appraisals to be client-driven," he warned.

Robert Smedley, NCREIF president and president of Wachovia Real Estate Fund, Winston-Salem, N.C., said NCREIF has no power to enforce the guidelines on its members, but he hopes the members adopt the proposal and follow it voluntarily. He said the guidelines are necessary to make the appraisal process "more credible" to pension executives.

The appraisal industry's reputation was seriously wounded last year when a congressional subcommittee investigation found many incorrect appraisals.

As a result of that study, the subcommittee of the House's Committee of Government Operations isdrafting legislation that would establish a "self-regulatory organization" within the appraisal industry. That organization would be responsible for licensing, testing and setting work standards for appraisers.

But Mr. Graaskamp, who has been described as one of the country's foremost appraisal experts, said, "The problem is with the employers of appraisers, not with the appraisers. Any regulatory system that fails to place sanctions against the employers is doomed to fail."

Irregularities in the appraisal industry are caused by appraisers' "willingness to satisfy their employers," as much as by the appraisers' negligence, he said. He did not name any specific cases, but said managers trying to increase their portfolio asset sizes sometimes pressure appraisers to misstate appraisals.

Mr. Graaskamp wants managers to be given guidelines in the method of contracting appraisers, dictating certain aspects of how the appraisals should be done, and in evaluating appraisers' work.

The board of directors of PREA, concerned about giving fiduciaries too much input in the appraisal process, earlier this year voted not to accept Mr. Graaskamp's recommendations. Mr. Decker said despite that rejection, the association feels some standardization of appraisals, such as the NCREIF proposal, is needed.

Interviews with real estate managers showed lack of uniform appraisal methods is of greatest concern. David Glickman, president of Heitman Advisory Corp., Chicago, said: "If appraisals are not uniform, plan sponsors cannot fairly compare the real estate products available to them."

# Returns decline; assets withdrawn

**By Steve Hemmerick**

Investment returns for some large open-end commingled real estate funds continued to slide for periods ended Sept. 30, Pensions & Investments' Performance Evaluation Report results show.

At the same time, some pension executives are continuing to withdraw assets from some of the commingled funds.

PRISA, the largest open-end fund, which is offered by Prudential Asset Management Co. and managed by Prudential Realty Group, Newark, N.J., reported a 7% return for the 12 months ended Sept. 30, down about 2.7 percentage points from the 9.7% previous 12 months ended Sept. 30, 1985.

Clients of the Prudential Real Estate Investment Separate Account took out $1 billion from the fund during calendar year 1986. The fund ended Dec. 31 with $4.76 billion in assets, down from $5.32 at the beginning of the year.

The reason that the fund hasn't dropped $1 billion in assets is because the fund generated $332 million in income and $73 million in new contributions. The biggest cash outflow for 1986 was in the fourth quarter, when about $350 million was taken out by clients, according to Richard Merrill, the new chairman of Prudential Asset Management.

Mr. Merrill said preliminary estimates indicate in the first quarter of 1987, clients will take out an estimated $150 million in additional assets. He said Prudential officials think this may be an indication that the large outflows of cash are now being reduced.

He said the money taken out is partly because of plan reversions and because people have been bullish about stock market returns.

However, he said investors are becoming edgy about the market and this is contributing to part of the reduction in asset outflow. He also thinks the fund has new appraised values that present opportunistic buys for investors.

Although assets of the Prime Property Fund, the second largest open-end fund and offered by Equitable Life Assurance Society of the United States, New York,

*Continued on page 16*

## Real Estate open-end funds

**Periods ended Sept. 30**

**1-year returns**

| | % |
|---|---|
| Citicorp, N.Y. | 23.0 |
| Chase Manhattan, N.Y. | 18.3 |
| Morgan Guaranty, N.Y. | 17.2 |
| Copley (Dev. Prop.), Mass. | 17.2 |
| Canada Life Assurance | 15.1 |
| Union Labor Life (J), D.C. | 14.2 |
| Prudential (MORISA) | 12.9 |
| Bank One Trust Columbus, Ohio | 12.8 |
| Wells Fargo Realty, Calif. | 12.2 |
| Prudential (PRIMOR) | 12.1 |
| Phoenix Mutual, Conn. | 11.8 |
| Bank of Boston, Mass. | 11.1 |
| NCNB Nat'l Bank, N.C. | 10.9 |
| Aetna Life & Cas. (PMSA), Conn. | 10.7 |
| Third Nat'l Nashville, Tenn. | 10.4 |
| Harris Trust (Inc. Prop. F), Ill. | 10.3 |
| CIGNA Corp., Conn. | 10.1 |
| Travelers, Conn. | 9.8 |
| Chemical Bank, N.Y. | 9.2 |
| Equitable Life (Prime Prop.), N.Y. | 8.8 |
| Aetna Life & Cas. (RESA), Conn. | 8.6 |
| Massachusetts Mutual | 8.6 |
| Southland Trust (SREEF), Texas | 8.4 |
| Sun Bank, Fla. | 8.3 |
| Principal Mutual Life, Iowa | 8.2 |
| Wachovia Bank, N.C. | 8.0 |
| Metropolitan Life (Tower), N.Y. | 7.2 |
| First of Chicago (F), Ill. | 7.1 |
| Prudential (PRISA) | 7.0 |
| Metropolitan Life, N.Y. | 6.0 |
| First of Minneapolis, Minn. | 5.4 |
| Lloyds Bank (F), Calif. | 5.4 |
| Mutual Benefit (VCA-5), N.J. | 4.4 |
| **Consumer Price Index** | **1.8** |
| RepublicBank, Dallas | 1.3 |
| John Hancock, Mass. | 0.2 |
| InterFirst Bank Dallas | −0.7 |
| Seafirst Bank, Wash. | −2.8 |

**3-year returns**

| | % |
|---|---|
| Copley (Dev. Prop.), Mass. | 19.3 |
| Phoenix Mutual, Conn. | 16.6 |
| Chase Manhattan, N.Y. | 16.2 |
| Citicorp, N.Y. | 16.0 |
| Prudential (MORISA) | 16.0 |
| Canada Life Assurance | 14.9 |
| Prudential (PRIMOR) | 14.9 |
| NCNB Nat'l Bank, N.C. | 14.6 |
| Metropolitan Life, N.Y. | 14.5 |
| Morgan Guaranty, N.Y. | 14.4 |
| Union Labor Life (J), D.C. | 14.3 |
| Mutual Benefit (VCA-5), N.J. | 14.1 |
| Southland Trust (SREEF), Texas | 13.7 |
| CIGNA Corp., Conn. | 12.9 |
| Equitable Life (Prime Prop.), N.Y. | 12.9 |
| Aetna Life & Cas. (PMSA), Conn. | 12.7 |
| Bank One Trust Columbus, Ohio | 12.4 |
| Metropolitan Life (Tower), N.Y. | 12.2 |
| Wachovia Bank, N.C. | 11.9 |
| Bank of Boston, Mass. | 11.7 |
| First of Minneapolis, Minn. | 11.3 |
| Wells Fargo Realty, Calif. | 11.2 |
| Chemical Bank, N.Y. | 11.2 |
| Harris Trust (Inc. Prop. F), Ill. | 11.1 |
| Aetna Life & Cas. (RESA), Conn. | 11.0 |
| Massachusetts Mutual | 10.5 |
| Sun Bank, Fla. | 10.5 |
| Principal Mutual Life, Iowa | 10.5 |
| Prudential (PRISA) | 10.3 |
| First of Chicago (F), Ill. | 10.2 |
| Third Nat'l Nashville, Tenn. | 9.7 |
| Travelers, Conn. | 9.2 |

*Continued on page 16*

# Returns drop . . .

*Continued from page 15*

have remained stable at between $2.8 billion and $2.9 billion during year ended Sept. 30, returns are dropping. The fund returned 8.8% for the year ended Sept. 30, vs. 11.9% the 12 months ended Sept. 30, 1985.

According to PIPER figures, the John Hancock Real Estate Separate Account reported a 0.2% return for the 12 months ended Sept. 30, down 7 percentage points from the 7.2% return during the previous 12 months.

Returns for all three funds are below a median of 9.5% for 90 open- and closed-end real estate funds with $26 billion total assets for the year ended Sept. 30. This median was provided by Evaluation Associates Inc., Westport, Conn.

The lower returns largely are due to depreciation of assets rather than loss of income yield, managers and consultants say.

The break out of the PRISA return, for example, shows relatively stable income yields, but declining appreciation. For the 12 months ended Sept. 30, PRISA had an income return of 7.01% but an appreciation return of −0.5%. In the 12 months ended Sept. 30, 1985, the return on income for PRISA was 7.2%, but the appreciation return was 2.4%.

Returns may be sliding because real estate managers have been slow to react to current market conditions, such as asbestos problems, increasing vacancies and declining rents, suggested Paul Saylor, a principal with Institutional Property Consultants, Atlanta.

What is seen today in stable or declining appreciation for many properties, he said, is a proper adjustment to offset past optimism.

Problems could multiply for some open-end fund managers because poor performance could set off a new wave of withdrawals.

Mr. Saylor said investors "should be encouraged by the fact that the large open-end fund managers are showing a great deal more realism than they have in the past," while performance is "not getting to the area of extreme concern when people should again try to take money out in mass quantities."

Unit values for open-end funds "are getting into the range where they might represent some pretty decent buys," he added.

Income for many of the commingled real estate funds remains above the U.S. Consumer Price Index, which increased 1.8% for the 12-month period.

And a key reason for being in real estate — to help stabilize returns for portfolios — hasn't changed, pointed out Tina Brownley, a director at Prudential.

She said the real rate of return has been positive for PRISA since it began in 1970.

Not every fund suffered during the 12 months ended Sept. 30. Citicorp Real Estate Equity Fund, offered by Citicorp Investment Management Inc., New York, had the highest one-year return — 23% — of any fund in PIPER. Yet for the year ended Sept. 30, 1981, when most real estate funds were scoring returns in the teens, the Citicorp fund was in the last decile with a 5.9% return.

Citicorp moved out of the basement beginning with the 12 months ended Sept. 30, 1985, primarily because of rent increases. It also realized gains from the sale of two buildings, said H. Piper Andrews Jr., a vice president with Citicorp. The office buildings, in the Century City area of Los Angeles, were sold for $230 million to Japanese investors last year. That same year, Citicorp refinanced an office building at 633 Third Ave., New York, that produced another $96 million in cash.

Mr. Andrews said the New York building is appreciating sharply because 300,000 square feet of space is being re-leased at $27 to $30 per square foot from $10. Citicorp originally bought into the building because fund officials believed the low rents could be raised by buying out old leases.

He said the fund is using the cash to make a "major play" in retail properties and industrial buildings.

Other open-end funds with high returns for the year ended Sept. 30 were Chase Investors Management Corp., New York, Chase Bank Real Estate Investment Fund, with an 18.3% return; J.P. Morgan Investment Management Inc., New York, Commingled Pension Trust Fund, 17.2%; and Copley Real Estate Advisors, Boston, Developmental Properties Account, 17.2%.

The closed-end fund with the highest return is JMB Institutional Realty Corp., Chicago, Group Trust No. 1, which returned 18.1% for the 12 months ended Sept. 30.

Managers of the JMB fund, which has $319 million in net assets, decided five years ago to put the majority of the assets in retail space, said Ted Stern, an executive vice president with JMB.

The fund is 57% in retail properties, while the average fund has about 23% of assets in retail, Mr. Stern said.

Other closed-end funds with high returns for the 12 months ended Sept. 30 were: Equitec Institutional Realty Advisers, Oakland, Calif., Fund No. 1, with a 16.1% return, and Lehndorff & Babson Real Estate Counsel Inc., Dallas, Lehndorff & Babson Property Fund, with a 17.1% return.

For five years ended Sept. 30, the Morgan Guaranty Fund has the highest return among open-end funds, 17.6% compounded annually. It also has the highest 10-year return at an annualized 19.1%.

Among closed-end funds, JMB Group Trust No. 1 had the highest return of an annualized 16.9% for five years; Colowell Banker Capital Management Services, New York, Institutional Fund No. 1, had a high return of 20.6% compounded annually for the 10-year period. It is the only fund reported in the PIPER 10-year universe. ■

*Continued from page 15*

| | |
|---|---|
| InterFirst Bank Dallas, Texas | 8.3 |
| RepublicBank Dallas, Texas | 7.4 |
| Lloyds Bank (F), Calif. | 7.2 |
| John Hancock, Mass. | 6.9 |
| Seafirst Bank, Wash. | 4.4 |
| **Consumer Price Index** | **3.1** |

### 5-year returns

| | % |
|---|---|
| Morgan Guaranty, N.Y. | 17.6 |
| Union Labor Life (J), D.C. | 16.6 |
| NCNB Nat'l Bank, N.C. | 15.8 |
| Phoenix Mutual, Conn. | 15.6 |
| Southland Trust (SREEF), Texas | 15.5 |
| Chase Manhattan, N.Y. | 15.4 |
| Aetna Life & Cas. (PMSA), Conn. | 15.1 |
| CIGNA Corp., Conn. | 14.7 |
| Canada Life Assurance | 14.4 |
| Prudential (PRISA) | 14.4 |
| Chemical Bank, N.Y. | 13.7 |
| Metropolitan Life, N.Y. | 13.6 |
| Bank One Trust Columbus, Ohio | 12.8 |
| Bank of Boston, Mass. | 12.5 |
| Metropolitan Life (Tower), N.Y. | 12.3 |
| First of Minneapolis, Minn. | 12.2 |
| Citicorp, N.Y. | 12.2 |
| Equitable Life (Prime Prop.), N.Y. | 12.1 |
| First of Chicago (F), Ill. | 11.9 |
| Massachusetts Mutual | 11.4 |
| Wachovia Bank, N.C. | 11.2 |
| Sun Bank, Fla. | 11.1 |

*Continued on page 18*

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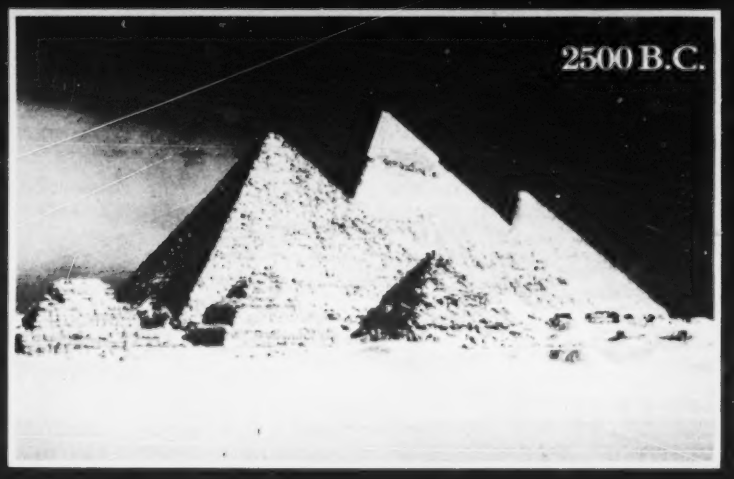
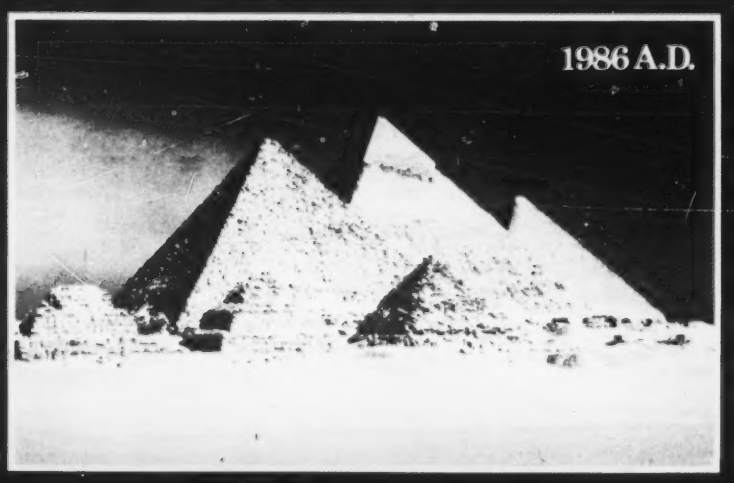



NCNB
REAL
ESTATE
FUND

## Wrap-up

*Continued from page 15*

The new partnership fund will focus on "vintage" shopping centers that can be renovated for added return.

Also, he said, Lehndorff will do all its own property management on the centers it buys.

Mr. Smith said the fund "is a major move for us, and it will be for investors as well because well-managed shopping centers have shown time and again to be attractive investments, both in terms of risk and value added."

## L.A. prices near high

LOS ANGELES — Prices of Los Angeles real estate, supported by the city's booming economy, are at upper levels, according to a report by Salomon Brothers Inc., New York.

For Los Angeles real estate to generate the returns the investors expect, the report said, the Los Angeles economy must continue to perform as well, or nearly so, as it has in the past.

The report suggests caution because the Los Angeles area economy is facing some risks. The report said defense spending growth, an important part of the Los Angeles economy, is slowing. The city area has also benefited from imports that will probably decline with the value of the dollar.

But while returns on property there could decrease, the report said prices for Los Angeles real estate are expected to remain high, partly because of Los Angeles' growing importance as an international city and its economic connections with Tokyo.

Despite the presence of rent control in some areas of the Los Angeles basin, apartment fundamentals appear to be better in the Los Angeles area than other parts of the country, the report said.

## Trouble spots noted

NEW YORK — There are some "truly troubled" office markets, including Dallas, Denver, Houston, New Orleans and Oklahoma City, according to a 1987 real estate market forecast by Landauer Advisors Inc., New York.

Those cities' office markets are not likely to regain their real estate or general economic balance until the 1990s, the forecast said.

"The indication that Texas is experiencing net migration out of state for the first time in its history aptly suggests that this message has been received and understood by the general population," the report noted.

But the report said office market conditions vary among the nation's cities.

New York City, for example, has steady office rents and below-average vacancy rates. But downtown Manhattan, with a 9% office vacancy rate, is experiencing its most intense competition for tenants since New York's economic recovery in the late 1970s.

The report also said the amount of vacant office space in Chicago and Los Angeles is rising.

According to the report, investors are presently focusing on established regional malls. But the report said, shopping centers, like hotels, are management intensive and require strong merchandising ability, detailed maintenance and close security.

Retail markets in the Northeast, from New England through Washington, are star performers in retail property; the retail markets in Southern California are also outstanding.

As for industrial properties, the report noted there is a slowly rising level of vacancies, and properties should be approached selectively.

*Continued from page 16*

| | |
|---|---|
| Aetna Life & Cas. (RESA), Conn. | 10.9 |
| Wells Fargo Realty, Calif. | 10.9 |
| InterFirst Bank Dallas, Texas | 10.1 |
| Third Nat'l Nashville, Tenn. | 9.8 |
| Prudential (PRISA) | 9.7 |
| RepublicBank Dallas, Texas | 9.4 |
| Travelers, Conn. | 9.3 |
| John Hancock, Mass. | 8.5 |
| Seafirst Bank, Wash. | 7.1 |
| **Consumer Price Index** | **3.3** |

**10-year returns** %

| | |
|---|---|
| Morgan Guaranty, N.Y. | 19.1 |
| Wachovia Bank, N.C. | 14.9 |
| Prudential (PRISA) | 14.4 |
| Metropolitan Life, N.Y. | 13.5 |
| Equitable Life (Prime Prop.), N.Y. | 12.8 |
| Wells Fargo Realty, Calif. | 12.7 |
| Bank of Boston, Mass. | 12.3 |
| First of Chicago (F), Ill. | 12.0 |
| Travelers, Conn. | 12.0 |
| **Consumer Price Index** | **6.7** |

## Real Estate closed-end funds

**Periods ended Sept. 30**

**1-year returns** %

| | |
|---|---|
| JMB Institutional (Gr. Tr. I) | 18.2 |
| Lehndorff & Babson (Prop.) | 17.2 |
| TCW Realty Advisors (II), Calif. | 17.0 |
| Equitec (I), Calif. | 16.1 |
| TCW Realty Advisors (I), Calif. | 15.5 |
| John Hancock (SERA 1), Mass. | 15.4 |
| RREEF (Mid-Am. III) | 14.6 |
| State Street Bank (I), Mass. | 14.4 |
| Landauer Advisors (I), N.Y. | 14.2 |
| LaSalle Advisors (LSF), Ill. | 13.5 |
| JMB Institutional (Gr. Tr. II) | 13.2 |
| Aetna Life & Cas. (CERESA I) | 11.8 |
| RREEF (West VI) | 11.5 |
| RREEF (West III) | 11.4 |
| RREEF (USA I) | 10.6 |
| RREEF (Mid-Am./E. IV) | 10.5 |
| JMB Institutional (Gr. Tr. III) | 10.1 |
| CIGNA Corp., Conn. | 10.1 |
| Aetna Life & Cas. (CERESA II) | 9.8 |
| RREEF (West II) | 9.7 |
| Equitable Life (New Prop.), N.Y. | 9.7 |
| Metropolitan Life (II), N.Y. | 9.6 |
| RREEF (West I) | 9.4 |
| State Street Bank (II), Mass. | 9.3 |
| RREEF (West V) | 9.2 |
| Metropolitan Life (I), N.Y. | 9.1 |
| Sarofim Trust Co. (SIRF P-I) | 9.0 |
| RREEF (Mid-Am. II) | 9.0 |
| Coldwell Banker (Inst. II) | 7.5 |
| Coldwell Banker (Inst. IV) | 7.3 |
| RREEF (Mid. Am. I) | 7.1 |
| RREEF (USA III) | 7.1 |
| Coldwell Banker (Inst. VI) | 6.8 |
| State Street Bank (III), Mass. | 6.7 |
| RREEF (West IV) | 6.0 |
| Coldwell Banker (Inst. VIII) | 6.0 |
| Coldwell Banker (Inst. III) | 5.3 |
| RREEF (USA II) | 3.5 |
| Coldwell Banker (Inst. V) | 3.4 |
| **Consumer Price Index** | **1.8** |
| Coldwell Banker (Inst. VII) | – 2.0 |

**3-year returns** %

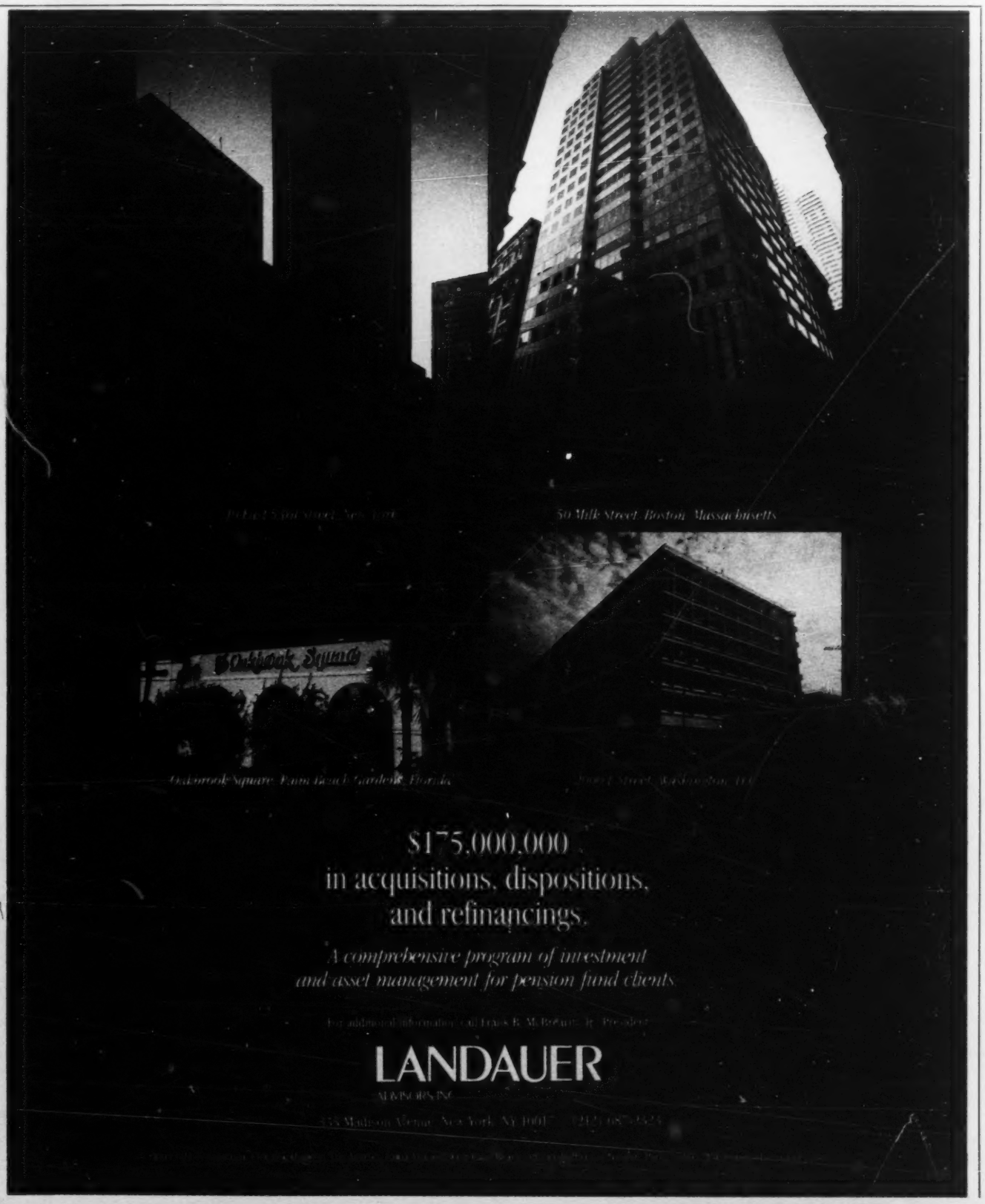
| | |
|---|---|
| JMB Institutional (Gr. Tr. I) | 18.7 |
| State Street Bank (I), Mass. | 16.3 |
| LaSalle Advisors (LSF), Ill. | 15.8 |
| Aetna Life & Cas. (CERESA I) | 15.5 |
| Sarofim Trust Co. (SIRF P-I) | 15.0 |
| Coldwell Banker (Inst. V) | 15.0 |
| Equitable Life (New Prop.), N.Y. | 13.0 |
| Coldwell Banker (Inst. II) | 12.5 |
| RREEF (West III) | 12.4 |
| RREEF (Mid-Am. II) | 12.2 |
| RREEF (West II) | 11.4 |
| RREEF (USA I) | 10.7 |
| CIGNA Corp., Conn. | 10.6 |
| RREEF (USA II) | 9.9 |
| Coldwell Banker (Inst. IV) | 9.4 |
| RREEF (West I) | 9.2 |
| Coldwell Banker (Inst. VI) | 9.0 |
| Coldwell Banker (Inst. III) | 8.6 |
| RREEF (West IV) | 8.0 |
| RREEF (Mid. Am. I) | 7.5 |
| Coldwell Banker (Inst. VII) | 7.4 |
| **Consumer Price Index** | **3.1** |

**5-year returns** %

| | |
|---|---|
| JMB Institutional (Gr. Tr. I) | 16.9 |
| LaSalle Advisors (LSF), Ill. | 15.5 |
| Coldwell Banker (Inst. II) | 15.3 |
| Coldwell Banker (Inst. V) | 14.3 |
| RREEF (West II) | 12.3 |
| RREEF (West I) | 12.1 |
| Coldwell Banker (Inst. IV) | 12.0 |
| Coldwell Banker (Inst. VI) | 10.1 |
| Coldwell Banker (Inst. III) | 9.5 |
| **Consumer Price Index** | **3.3** |

**10-year returns** %

| | |
|---|---|
| Coldwell Banker (Inst. II) | 20.6 |
| **Consumer Price Index** | **6.7** |



**PIPER**

*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford Conn.*

# Sector picks pay off in international

**By Marlene Givant**

To 1986's top-performing international managers, picking profitable industrial sectors was almost as important as country weighting, Pensions & Investments' Performance Evaluation Report shows.

Most managers cut back on Japanese investments during the year, but because of the yen's strength, some remain bullish on Japanese industries oriented toward domestic demand.

Similarly, the jump in the deutsche mark is causing some managers to reduce exposure to West Germany while others are attempting to overweight domestic-oriented German companies.

The Continent was a good play in 1986 but growth of Europe's more mature markets might slow this year, managers predicted.

According to PIPER, the top-ranked manager of a commingled international fund for the one- and three-year periods ended Dec. 31 was BA Investment Management International Ltd., London, with walloping returns of 97.7% and a compound annual 44.3% for those periods, respectively, on its $55 million International Employee Benefit Equity Fund.

Ranked second for the year and third for the three years was American National Bank & Trust Co., Chicago, with 75.1% and a compound annual 42.1%, respectively, on its $21 million International Equity Fund.

Bessemer Trust Co., New York, ranked third for the year with a 75% return on its $85.9 million Fund E Equity vehicle and Marine Midland Bank's, New York, $30 million International Equity Fund, managed by Wardley Investment Services International, New York, ranked fourth with 73.9%.

These were the only international pooled funds of the 28 that PIPER tracks to beat the Morgan Stanley Capital International Europe Australia Far East index's 70% return in 1986. Centerre Trust Co. of St. Louis, was just below the index with a 69.4% return for the year.

For the three years, only BA beat the EAFE index's annualized 42.2% return, and for five years, IDS International Inc.'s, Minneapolis, International Collective Equity Fund of $59.5 million with an annualized return of 30.8% and BA with a 30.1% return, narrowly beat the index's 28.8%.

During the fourth quarter of 1986, in contrast, 18 out of 28 international managers in the PIPER universe outperformed the EAFE, which returned only 4.2%.

Ranked first for the quarter with an 8.9% return was Provident National Assurance Co.'s, Chattanooga, Tenn., International Low P/E Equity Fund, managed by Provident Capital Management Inc., Philadelphia.

Marine Midland's fund was second with an 8% return and IDS International's fund returned 7.2%.

BA Investment Management looks at consensus expectations of international market prices, levels of growth, earnings, interest rates, currencies and political and policy trends over a 12-month time horizon.

Portfolios are structured to add value where the firm's expectations differ from the consensus. Stocks are chosen the same way. Individual markets and sectors are emphasized equally and currency risk is managed entirely separately using forward contracts.

"In all world markets we saw a heavy emphasis — with only minor diversions — on the same broad sectors as the best performers across all markets: financials, services, consumer goods. Basic industry sectors, on the other hand, had poor performance," said John Horseman, investment manager.

"Earnings growth in 1987 will be somewhat short of expectations. In Japan, earnings are likely to decline, partly due to the dollar's decline, particularly in certain industries. We tend to find better value in other markets."

Since early last year, the firm reduced its Japanese exposure to 10% at year-end from less than 30%. It now stands at 5%.

**Open- and closed-end real estate fund results - page 15**

The firm's scant holdings in Japan during 1986 were in finance-oriented companies and asset-based sectors, which significantly outperformed the Japanese market.

Globally, "we still hold the view that the U.S. economy will muddle along. Germany and Japan will have stable to low interest rates. Disinflation continues to favor the stocks and the sectors we're in."

BA likely will be overweighted in West German financial and consumer food stocks this year. "Earnings in Germany will probably be down 10% this year," Mr. Horseman said. "Automobile, capital goods and machinery industries will be hurt by the deutsche mark increasing and the flat world economy."

The Spanish market appears to have reasonable values and the United Kingdom has strong potential, he said.

"We're still keen on the U.K. — consumer sectors, high wage growth, strong background in consumer credit, domestic-based companies benefiting from the weaker sterling. There's a lot of similarity with our position last year," said Mr. Horseman.

BA also might explore smaller Southeast Asian markets — such as Korea or Thailand — partly because Japan is establishing alternative manufacturing facilities there, Mr. Horseman added.

American National Bank, which manages $30 million in assets for U.S. tax-exempt clients, runs a diversified international equity fund using index fund principles. It was able to beat the EAFE last year because the firm curbs excessive trading costs, which are especially high in international investing. But holdings in the fund are not rebalanced as frequently as holdings in a traditional index fund, said Steve Manus, vice president at American National Bank.

In addition, the fund doesn't hold stock in every country included in the EAFE. "Some are small and trading costs are high," Mr. Manus said. "They don't add much value."

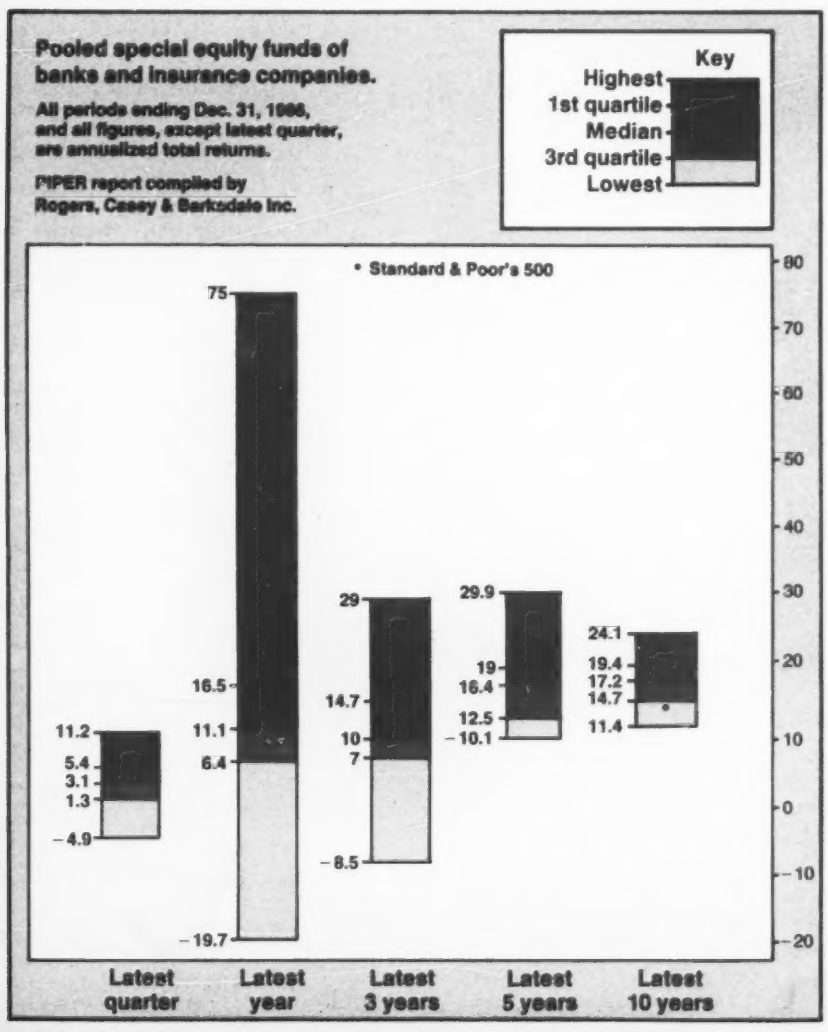
Bessemer Trust reduced its exposure to Japan in 1986, shifting instead to the European continent.

"We had a larger position (than the EAFE) in Italy and Spain and continued our emphasis on domestic companies in Japan. By the end of the year, we were taking profits in Japan and putting them into Hong Kong and Australia," said Jane N. Abitanta, assistant vice president.

The firm did not like the United Kingdom through most of 1986. But in the fourth quarter, with the country's strong consumer spending and weaker pound, Bessemer increased its weighting there.

"We're bullish on the Continent. We reduced the U.K. weighting through 1986 shifting emphasis to Belgium and Spain.

*Continued on page 24*




# Home-run plan scores

## Managers in small-cap stocks foul out

**By John Covaleski**

Finding "home-run" stocks and an aversion to small-capitalization stocks paid off for some special equity managers in the Pensions & Investments' Performance Evaluation Report, although most of the funds still lagged the index.

The "home run" strategy entails investing large portions of assets in a small number of stocks, which increases risk but also can substantially increase returns.

That strategy helped RepublicBank Dallas' special equity fund bring in a 75% return, leading 20 special equity funds that outperformed the Standard & Poor's 500 stock index in 1986.

The S&P returned 18.7% for the year, while the median return for the 90 special equity pooled funds of banks and insurance companies tracked by PIPER was 11.1%.

For the three years ended Dec. 31, RepublicBank again was the leader with a compound annual return of 29%. The S&P returned an annualized 18.5% for the period and the PIPER median was 10%.

The other top-performing special equity funds during 1986 were Manufacturers Hanover Trust Co.'s Supplemental Equity Fund, New York, 42.1%; Chase Manhattan Bank, New York, 31%; Security Pacific National Bank, Los Angeles, 28.6%; Trust Co. of the West, Los Angeles, 27.8%; First National Bank of Neenah, Wis., 27.1%; and National Bank of Detroit, 26.8%.

The top performers for the three years, in addition to RepublicBank, were First National Bank of Neenah, 23.8%; Citicorp's real estate stock fund, 23%; Citicorp's emerging health care fund, 22.7%; and Fidelity Management Trust, Boston, 22.1%.

Part of the reason for the poor overall performance by the special equity funds was attributed to the funds' invest in the stocks of smaller capitalization companies. Those stocks have fallen out of favor with investors.

Asked about the effect of small-cap stocks on special equity funds, Dale F. Wise, vice president and trust investment officer at Merchants National Bank of Allentown, Pa., said, "If I had to decide (on starting a new investment fund) today, it certainly wouldn't be a special equity fund."

Merchant National's fund returned 7.7% for the year.

The unpopularity of lower-cap stocks is well illustrated at Manufacturers Hanover where its supplemental equity fund, investing in intermediate-cap companies, returned 42.1% for the year and 11.2% for the quarter and its special equity fund, investing in small-cap companies, returned 10.6% and 5.6%, respectively.

But Thomas E. Larkin, managing director of Trust Co. of the West, said he believes small-cap stocks are strengthening because the buying public "is finally recognizing they're relatively cheap." He said TCW's special equity fund, which returned 27.8% for the year and 6.4% for the quarter, invests with both a small-cap and growth bias.

Other leaders in the quarter, following Manufacturers Hanover, were Society National Bank, Cleveland, whose Ohio regional equity fund returned 9.3%; Central Fidelity Bank, Richmond, Va., whose aggressive equity fund returned 8.6%; Michigan National Bank of Grand Rapids, 8.6%; and Irving Trust, New York's Special Fund II, 8.1%. The S&P returned 5.6% for the

*Continued on page 25*

## Commingled international funds

### 3-month returns

| | % |
|---|---|
| Provident Nat'l (Low p/e), Pa. | 8.9 |
| Marine Midland (Eq.), N.Y. | 8.0 |
| IDS Trust (Col. eq.), Minn. | 7.2 |
| Marsh & McLennan (Putnam) | 6.9 |
| First of Chicago (Eq.), Ill. | 6.8 |
| California First Bank (Eq.) | 6.8 |
| Morgan Guaranty (Eq.), N.Y. | 6.6 |
| First of Chicago (Non $ fixed) | 6.5 |
| Chase Manhattan (Global eq.) | 6.3 |
| Centerre Trust (W) | 6.0 |
| Bankers Trust (Eq.), N.Y. | 5.9 |
| Bessemer Trust (E), N.Y. | 5.5 |
| Bank of America (EB fixed), Calif. | 5.4 |
| RepublicBank Dallas (Stock) | 5.2 |
| Citicorp (Fixed), N.Y. | 5.0 |
| Prudential (Global bond), N.J. | 4.9 |
| **MSCI World Index** | **4.6** |
| American Nat'l, Chicago | 4.5 |
| Fidelity Mgmt. Trust (Eq.), Mass. | 4.2 |
| **MSCI EAFE Index** | **4.2** |
| Prudential (Bond), N.J. | 4.1 |
| HT Investors (Eq.), R.I. | 3.8 |
| Morgan Guaranty (Bond), N.Y. | 3.7 |
| Mellon Bank (EB eq.), Pa. | 3.3 |
| Aetna MIM (Eq.), Conn. | 3.2 |
| CIGNA Corp. (Eq.), Conn. | 2.9 |
| Citicorp (Eq.), N.Y. | 2.1 |
| Toledo Trust (Eq.), Ohio | 2.0 |
| Toledo Trust (Global bond), Ohio | 1.8 |
| Bank of America (EB eq.), Calif. | 1.6 |
| Prudential (Print eq.), N.J. | 0.6 |

### 1-year returns

| | % |
|---|---|
| Bank of America (EB eq.), Calif. | 97.7 |
| American Nat'l Chicago (Eq.), Ill. | 75.1 |
| Bessemer Trust (E), N.Y. | 75.0 |
| Marine Midland (Eq.), N.Y. | 73.9 |
| **MSCI EAFE Index** | **70.0** |
| Centerre Trust (W) | 69.4 |
| Chase Manhattan (Global eq.) | 66.2 |
| Citicorp (Eq.), N.Y. | 65.4 |
| Provident Nat'l (Low p/e), Pa. | 64.0 |
| RepublicBank Dallas (Stock) | 63.0 |
| IDS Trust (Col. eq.), Minn. | 60.9 |
| First of Chicago (Eq.), Ill. | 60.0 |
| Aetna MIM (Eq.), Conn. | 59.5 |
| Morgan Guaranty (Eq.), N.Y. | 59.4 |
| CIGNA Corp. (Eq.), Conn. | 58.2 |
| California First Bank (Eq.) | 53.7 |
| Bankers Trust (Eq.), N.Y. | 53.6 |
| Fidelity Mgmt. Trust (Eq.), Mass. | 53.2 |
| HT Investors (Eq.), R.I. | 51.8 |
| Mellon Bank (EB eq.), Pa. | 50.7 |
| Marsh & McLennan (Putnam) | 49.3 |
| **MSCI World Index** | **42.8** |
| Toledo Trust (Eq.), Ohio | 41.7 |
| Prudential (Global bond), N.J. | 38.1 |
| First of Chicago (Non $ fixed), Ill. | 35.4 |
| Prudential (Foreign bond), N.J. | 34.9 |
| Citicorp (Fixed), N.Y. | 34.8 |
| Bank of America (EB fixed), Calif. | 33.3 |
| Morgan Guaranty (Bond), N.Y. | 31.6 |
| Toledo Trust (Global bond), Ohio | 29.0 |

### 3-year returns

| | % |
|---|---|
| Bank of America (EB eq.), Calif. | 44.3 |
| **MSCI EAFE Index** | **42.2** |
| American Nat'l Chicago (Eq.), Ill. | 42.1 |
| Marine Midland (Eq.), N.Y. | 36.7 |
| Marsh & McLennan (Putnam) | 36.5 |
| First of Chicago (Eq.), Ill. | 36.0 |
| Citicorp (Eq.), N.Y. | 35.7 |
| IDS Trust (Col. eq.), Minn. | 35.4 |
| Bankers Trust (Eq.), N.Y. | 34.9 |
| Aetna MIM (Eq.), Conn. | 34.9 |
| Bessemer Trust (E), N.Y. | 34.8 |
| RepublicBank, Dallas (Stock) | 33.3 |
| Chase Manhattan (Global eq.) | 31.7 |
| Fidelity Mgmt. Trust (Eq.), Mass. | 30.5 |
| Prudential (Global bond), N.J. | 30.3 |
| Morgan Guaranty (Eq.), N.Y. | 30.3 |
| Centerre Trust (W) | 29.5 |
| **MSCI World Index** | **28.9** |
| Mellon Bank (EB eq.), Pa. | 27.3 |
| HT Investors, R.I. | 25.2 |
| Bank of America (EB fixed), Calif. | 23.8 |
| Prudential (Foreign bond), N.J. | 23.3 |
| Citicorp (Fixed), N.Y. | 22.7 |
| First of Chicago (Non $ fixed), Ill. | 22.0 |
| Morgan Guaranty (Bond), N.Y. | 20.6 |

### 5-year returns

| | % |
|---|---|
| IDS Trust (Col. eq.), Minn. | 30.8 |
| Bank of America (EB eq.), Calif. | 30.1 |
| **MSCI EAFE Index** | **28.8** |
| American Nat'l Chicago (Eq.), Ill. | 27.7 |
| Marsh & McLennan (Putnam) | 27.4 |
| Bankers Trust (Eq.), N.Y. | 26.7 |
| Citicorp (Eq.), N.Y. | 26.1 |
| First of Chicago (Eq.), Ill. | 25.5 |
| Centerre Trust (W) | 24.8 |
| Morgan Guaranty (Eq.), N.Y. | 24.6 |
| **MSCI World Index** | **24.0** |
| Bessemer Trust (E), N.Y. | 23.5 |
| Mellon Bank (EB eq.), Pa. | 22.0 |
| Chase Manhattan (Global eq.) | 20.7 |
| Bank of America (EB fixed), Calif. | 16.9 |
| First of Chicago (Non $ fixed), Ill. | 16.4 |
| Morgan Guaranty (Bond), N.Y. | 16.0 |
| Citicorp (Fixed), N.Y. | 15.0 |

### 10-year returns

| | % |
|---|---|
| **MSCI EAFE Index** | **22.2** |
| Morgan Guaranty (Eq.), N.Y. | 19.5 |
| First of Chicago (Eq.), Ill. | 19.0 |
| **MSCI World Index** | **17.3** |

# Sector . . .

*Continued from page 23*

We're leery of the profit outlook in more mature (European) economies," Ms. Abitanta said.

In early 1986, the firm had a 23% exposure to Japan, which had increased to 50% by June. Bessemer cut back to 39% in the fourth quarter.

"We still think Japanese protectionist pressures will result in further appreciation of the yen," she said, explaining why the firm continues to overweight domestic sectors like construction, retail, and health care sectors.

Marine Midland Bank's fund was successful because Wardley, the fund's manager, was accurate in its strong country plays.

"In 1986, the environment in Europe was a market selection environment vs. 1985 when all markets did well in Europe," said Deborah George, senior vice president at Wardley.

"Japan this year was very much a sector selection game," she added. "We were in exactly the right sectors — domestic consumer-oriented sectors. Those are the stocks that moved because individuals continued to pour money into those areas of the market."

The fund began 1986 heavily weighted in Europe. At the end of the year, European exposure had been pared to 50% with the remaining 50% in the Pacific Basin, Ms. George said.

Bullish on the United Kingdom, Wardley hopes to increase its exposure there to 24% by year end. In September, its U.K. holdings were 13%.

But it has reduced its exposure to the Spanish market to 4% from last year's 5% and its holdings in France to 8% from 11%. The fund has left the German and Italian markets, after having 11% and 9% in those markets, respectively.

It started 1986 with 26% invested in Japan, and ended with 39%. The firm's other Pacific Basin holdings include 5% in Australia, 4% in Singapore and 5% to 6% in Hong Kong.

IDS International, which manages $500 million for U.S. tax-exempt clients, has positioned itself to avoid countries damaged by strong local currencies. However, in the fourth quarter, it increased its exposure to Japan relative to other portfolio managers.

"At the moment we have 41% in Japan," said Mark Hayes, vice president and senior portfolio manager.

Like Wardley, IDS sees continued heavy domestic cash flow into the Japanese market, despite valuation problems perceived by other managers.

IDS also boosted its exposure to Hong Kong, Australia and Singapore in the fourth quarter. The assets came in part from German investments. IDS cut its weighting there to 6% to 7% from the fourth quarter's 17% to 18%.

"We wanted to get out of traditionally strong currency blocks — those parts which are export-oriented. In Germany, domestic

*Continued on page 25*

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# Strategy scores . . .

*Continued from page 23*

period and the median was 3.1%.

Ben Fischer, vice president and manager of the corporate asset management group at RepublicBank, attributes home-run thinking to much of the select equity fund's success.

"You could say we're swinging for the fences. To get a 75% return, you need a few home runs and we got the home runs," he said.

"Sure, you're at risk, but if you consistently pick stocks with the best characteristics, you'll end up doing better."

The fund managers follow a value investing approach and look primarily for low price-to-earnings ratios and high dividend yields.

Among the fund's 1986 home runs was **Galoob Lewis Toys Inc.**, which it acquired in late 1985 for 6⅝ and sold off in September at 16 (the buy and sell figures are adjusted for a 3-for-2 split that occurred while the stock was held). By the time it was sold, Galoob represented 22% of the fund's portfolio.

**Alaska Air Group Inc.** was another home run stock for RepublicBank. It invested 17% of its total assets in the stock when it bought at 16 and within four months sold it at 21.

Another home-run-hitting fund is National Bank of Detroit's Intrinsic Value Fund, which has $38 million in assets and limits itself to 40 stock choices.

"We don't want to dilute our successes with a lot of names," said Peter Zuger, vice president of special funds.

Part of the fund's approach is looking for companies that are undervalued because of "transitory problems," such as an operations difficulty that is in the process of being repaired, said Mr. Zuger.

For example, the fund acquired **Goodyear Tire & Rubber Co.** stock in early 1986 when it was selling in the low 30s. Investors then were concerned about problems with an oil pipeline the company was building between California and Texas. After the pipeline problems were repaired, the fund sold the stock in the high 40s, he said.

Also helping to drive up the price of Goodyear stock was a takeover attempt by a group led by Sir James Goldsmith.

But the home-run strategy can backfire, as it did for Merchants National in Allentown, which holds no more than 10 different stock names in its $1.2 million special equity fund.

Mr. Wise said among the largest losses was **Ryan Beck & Co.** The fund placed 8% of its assets in Ryan Beck when the stock was selling at 13, and then watched it drop to 8 by year's end.

The stock since has climbed back to 10.

Merchants National did have some winners, Mr. Wise noted. Among them was **Caremark**, a health services company that it bought around 12 and sold around 26.

Jeff Mills, senior vice president at Manufacturers Hanover and investor for its supplemental equity fund, which returned 42.1% in 1986, said the fund invests in stocks that are undervalued because the companies are undergoing corporate restructuring. He called them "story stocks."

Among its 1986 stock purchases was **Mead Corp.**, which was purchased at 35 but has recently climbed to 60; **Louisiana-Pacific Corp.**, which was purchased at 22 and since has climbed to 40, and **Weis Technologies**, which was bought at less than 12 and since has reached 22.

The supplemental fund, which has assets of $95 million, holds no more than 25 to 30 stocks, Mr. Mills said.

American Fletcher National Bank, Cleveland, whose Natural Resources Fund places heavy emphasis on high-yield stocks such as utilities, and Citicorp's Real Estate Stock Fund, which invests in the stocks of real estate related companies, also did well last year.

The American Fletcher fund returned 25.8% in 1986 and a compound annual 18.8% for the three years. The Citicorp fund returned 25.6% and an annualized 23% for the respective periods.

Fran Brazette, vice president/investment officer at American Fletcher, said much of the investment interest in high-yield stocks has come from investors who have pulled their money out of the bond market because of low interest rates.

Kenneth D. Statz, a vice president with Citicorp, said the real estate fund's advantage over traditional real estate investments is its liquidity. "We're not stuck in any one place, we can move to the hot markets, and someone's always making money in real estate," he said.

Mr. Statz said the pension funds investing in the $30 million fund consider investments there as part of their real estate allocations.

The fund invests in development companies, such as **Rouse Co.**, builders such as **Toll Brothers Inc.** and real estate investment trusts. Its REIT investments include **First Union Real Estate Investments, Pennsylvania**

*Continued on page 26*

# International . . .

*Continued from page 24*

sectors are not well represented in the market. You can't get money into some sectors."

Noting the effect of the strong yen, Mr. Hayes said, "We're out of export and into domestic (industries) where the real profits will be made" in Japan.

He likes services such as financials, as well as housing and construction stocks since the government is encouraging those two industries.

"Forty percent of corporate profits in the Japanese stock market will be in the financial sector in 1987," said Mr. Hayes.

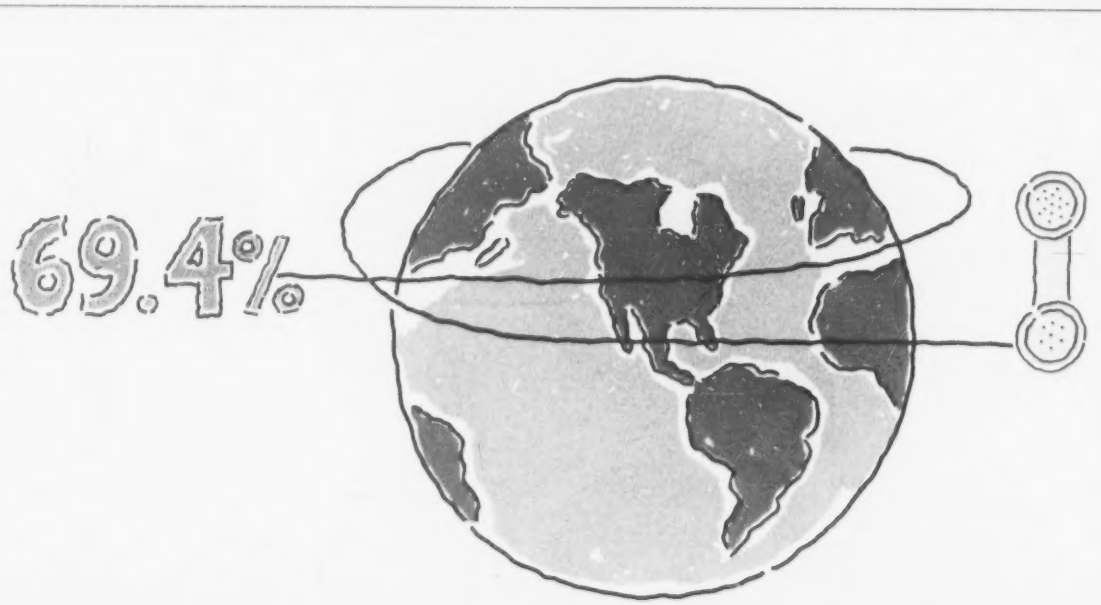
Provident Capital Management, which manages Provident National's $27 million low p/e fund, purchases data bases and computer screens to calculate median p/es for various markets. The p/e cutoff for a stock pick by the firm differs by country.

Provident's 8.9% leading fourth quarter performance marked a relative improvement over its respectable but sub-index one-year return of 64%.

"In Japan, (in 1986) the best performing sectors were large-capitalization sectors; p/e was not a criterion on whether a stock performed well or not," said Sandor Cseh, vice president-international investments.

"Over time, low p/e works but it doesn't work every year. In 1987, we're not likely to see that 1986 trend continue. On the other hand, you're not going to see a quick shift. The difference in p/e between small- and medium-cap stocks is not that big. You'll see good value in middle-cap stocks."

He expects good value in Japan this year, particularly for stocks with low p/es, good fundamentals and capitalizations of more than $1 billion. The firm will keep a minimum of 40% in Japan. It also has 5.75% — 2.5 times the EAFE index's weighting of 2.3% — in the Netherlands. ■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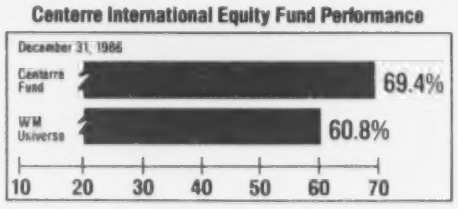


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# Strategy . . .

*Continued from page 25*

**Real Estate Investment Trust and Western Investment Real Estate Trust.**

Citicorp's real estate fund also placed second in the five years ended Dec. 31, returning an annualized 27.9%.

Others in the top five were Security Pacific National Bank's Growth Fund G, with 29.9%; Chase Manhattan's intermediate-cap fund, 24%; Wachovia Bank, Winston-Salem, N.C., 23.3%; and Provident National Bank, Philadelphia, 23.1%. The S&P returned 19.9% and the median was 16.4%.

For the 10 years, the leaders were MTrust, Dallas, with a compound annual 24.1%; California First Bank, San Diego, 23.9%; Equitable Bank, Baltimore, 23.6%; and Bankers Trust Co., New York, 22.5%. The S&P was 13.9%, and the median was 17.2%. ■

## Top quartile commingled special equity funds

### 3-month returns

| | % |
|---|---|
| Manufacturers Hanover (Supp.) | 11.2 |
| Society Nat'l (Ohio reg.) | 9.3 |
| Central Fidelity (EB Agg.), Va. | 9.1 |
| Mich. Nat'l of Gr. Rapids (Agg.) | 8.6 |
| Irving Trust (II), N.Y. | 8.1 |
| Marsh & McLennan (Putnam) | 8.0 |
| RepublicBank Dallas (Select) | 7.4 |
| First of Boston (Yield), Mass. | 6.9 |
| Old Second Nat'l (HR 10), Ill. | 6.7 |
| Nat'l City Cleveland (R.E.) | 6.6 |
| Connecticut Nat'l (Supp.) | 6.5 |
| Trust Co. of the West | 6.4 |
| Northern Trust, Ill. | 6.4 |
| First of Boston (II), Mass. | 6.2 |
| First of Alabama, (Spec. CTF) | 6.1 |
| First Pennsylvania Bank | 6.0 |
| First Nat'l of Tulsa (S'west) | 5.7 |
| CIGNA Corp (Em. gr.), Conn. | 5.6 |
| Manufacturers Hanover, N.Y. | 5.6 |
| **Standard & Poor's 500** | **5.6** |
| Manufacturers Hanover (Uncom.) | 5.6 |
| Comerica Bank, Mich. | 5.6 |
| California First Bank (Supp.) | 5.5 |
| Security Pacific (G), Calif. | 5.4 |

### 1-year returns

| | % |
|---|---|
| RepublicBank Dallas | 75.0 |
| Manufacturers Hanover (Supp.) | 42.1 |
| Chase Manhattan (Inter. cap) | 31.0 |
| Security Pacific (G), Calif. | 28.6 |
| Trust Co. of the West | 27.8 |
| First of Neenah, Wis. | 27.1 |
| Nat'l Bank of Detroit (F) | 26.8 |
| American Fletcher (E) | 25.8 |
| Citicorp (R.E), N.Y. | 25.6 |
| Society Nat'l (Earn. mom.) | 24.5 |
| Society Nat'l (Ohio reg.) | 24.1 |
| Manufacturers Hanover (Uncom.) | 23.2 |
| Northern Trust, Ill. | 22.9 |
| Harris Trust (Spec. Cap.), Ill. | 22.4 |
| Fidelity Mgmt. Trust (Agg.) | 22.3 |
| First of Boston (Yield) | 21.9 |
| Phoenix Mutual (S), Conn. | 21.5 |
| Central Fidelity (EB Agg.), Va. | 20.7 |
| Marsh & McLennan (Putnam) | 19.7 |
| First of Neenah (Reg. bank) | 19.6 |
| Old Second Nat'l (HR 10), Ill. | 19.5 |
| **Standard & Poor's 500** | **18.7** |
| Mellon Bank (EB), Pa. | 17.8 |
| Wachovia Bank (Div.), N.C. | 16.5 |

### 3-year returns

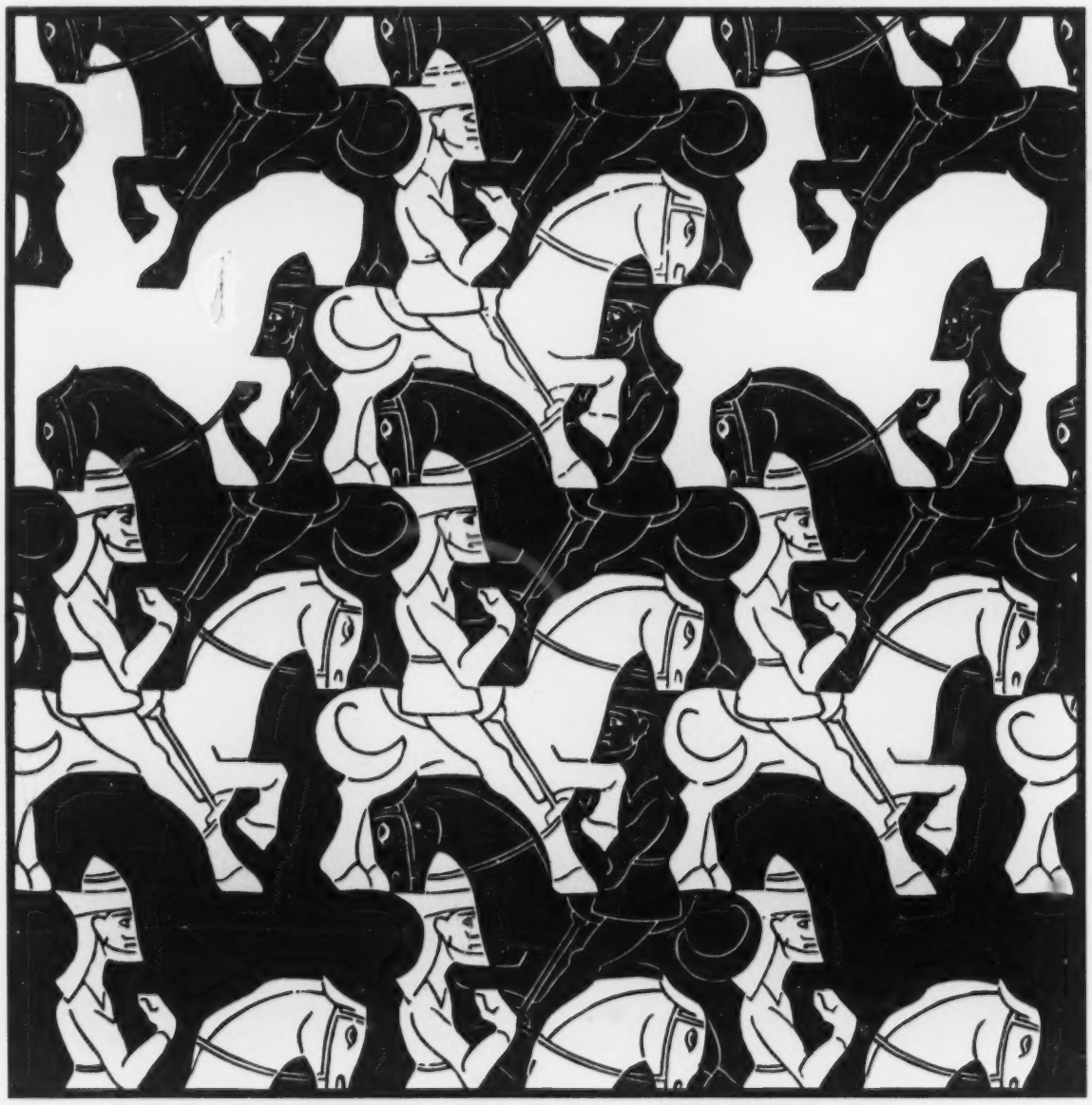
| | % |
|---|---|
| RepublicBank (Select), Dallas | 29.0 |
| First of Neenah (Inc.), Wis. | 23.8 |
| Citicorp (R.E.), N.Y. | 23.0 |
| Citicorp (Emerg. health), N.Y. | 22.7 |
| Fidelity Mgmt. Trust (Agg.), Mass. | 22.1 |
| Chase Manhattan (Int. cap.), N.Y. | 21.8 |
| Manufacturers Hanover (Supp.) | 20.6 |
| Trust Co. of the West | 20.4 |
| First of Boston (Yield), Mass. | 19.9 |
| Mich. Nat'l of Gr. Rapids (Agg.) | 19.4 |
| American Fletcher (E), Ind. | 18.8 |
| **Standard & Poor's 500** | **18.5** |
| Old Second Nat'l (HR 10), Ill. | 17.4 |
| Manufacturers Hanover (Uncom.) | 17.1 |
| Citicorp (Spec. sit.), N.Y. | 16.8 |
| Mellon Bank (EB), Pa. | 16.4 |
| Associated Kellogg (EB gr. stk.) | 16.2 |
| Society Nat'l (Ohio reg.) | 16.1 |
| LaSalle Nat'l (Small cap.), Ill. | 16.0 |
| First of Minneapolis (20) | 15.9 |
| Shawmut Bank (Target), Mass. | 14.7 |
| MBank Austin (Keogh), Texas | 14.7 |

### 5-year returns

| | % |
|---|---|
| Security Pacific (G), Calif. | 29.9 |
| Citicorp, (R.E.), N.Y. | 27.9 |
| Chase Manhattan (Int. cap.) | 24.0 |
| Wachovia Bank (Div. spec. val.) | 23.3 |
| Provident Nat'l, Pa. | 23.1 |
| First of Boston (Yield), Mass. | 22.5 |
| Society Nat'l (Ohio reg.) | 22.3 |
| Citicorp (Spec. sit.), N.Y. | 21.8 |
| Connecticut Nat'l Bank (Supp.) | 21.6 |
| Manufacturers Hanover (Uncom.) | 21.5 |
| Nat'l Bank of Detroit (Oppor.) | 20.6 |
| Chase Manhattan (Value), N.Y. | 20.2 |
| First Trust Co., Minn. | 19.9 |
| **Standard & Poor's 500** | **19.9** |
| First of Maryland | 19.7 |
| Bankers Trust (Supp.), N.Y. | 19.5 |
| Manufacturers Hanover (Supp.) | 19.2 |

### 10-year returns

| | % |
|---|---|
| MTrust (Growth), Texas | 24.1 |
| California First Bank (Supp.) | 23.9 |
| Equitable Bank, Md. | 23.6 |
| Bankers Trust, (Supp.), N.Y. | 22.5 |
| Northern Central, Pa. | 22.5 |
| First of Maryland | 21.4 |
| Chase Manhattan, N.Y. | 20.5 |
| Bank of America | 19.7 |
| Manufacturers Hanover (Supp.) | 19.6 |
| Associated Kellogg (EB Gr. stk.) | 19.4 |
| Connecticut Bank & Trust | 19.4 |
| **Standard & Poor's 500** | **13.9** |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# *Medians lag the indexes*

WAYNE, Pa. — The median stock and bond funds in the SEI universe traded blows with industry benchmarks for the quarter and the year ended Dec. 31, and usually came up short, according to a report by SEI Funds Evaluation Services.

The median return for the equity fund for the quarter was 4.3%, compared with the Standard & Poor's stock index return of 5.6%.

The median fund for the 12-month period also lagged the S&P, returning 16.7% vs. 18.7% for the index.

For longer periods, the median fund also got clobbered by the index, returning compound annualized returns of 15.9% and 18.1% for the three- and five-year periods, respectively. The S&P 500, for the same periods, returned an annualized 18.5% and 19.9%, respectively.

The equity fund universe represents 943 pension fund accounts holding a market value of $110.2 billion in assets. The bond fund universe represents 426 funds holding a market value of $46.2 billion. The balanced universe is comprised of 844 funds and has a market value of $96.7 billion.

Although the return of the median bond fund topped the indexes for the quarter, for longer periods the indexes won out again.

The median return for the quarter was 3.4%, vs. 3.3% for the Salomon Brothers Broad Investment Grade Bond Index and 3.1% for the Shearson Lehman Government/Corporate index.

For the year, the median fund returned 14.7% vs. Salomon BIG's 15.5% and Shearson Lehman's 15.6%.

For the three- and five-year periods, the median bond fund in SEI's universe returned compound annualized returns of 16% and 17.5%, respectively, vs. Salomon's annualized 17.5% and 18.2% and Shearson Lehman's 17.3% and 17.9%.

The median return for the equities-only portion of the SEI balanced fund was 5.2% for the quarter and 18.1% for the 12 months.

The median for the bonds-only portion of the balanced fund was 3.4% for the quarter and 14.9% for the year.

The total SEI balanced fund returned 4.2% and 15.6% for the quarter and one-year period. ■

# International

# Settlement problems tax funds

## Investors' opportunity and dollar costs, performance can suffer

By Marlene Givant

A number of institutions stopped investing in Italian stocks — missing last year's 65.6% rise in that market — because of problems in settling trades there. And pension fund executives are voicing similar settlement complaints about Spain, France, Switzerland and Japan.

Settlement problems not only can cut into opportunity costs, but also into actual dollar costs and investment performance.

Liquidating holdings in some markets is easier said than done.

Because settling trades in Italy can take as long as 12 months, the approximately $600 million Retirement System for Savings Institutions, New York; an unidentified international money manager of the $9 billion GTE Corp., Stamford, Conn., pension plan; SBC Portfolio Management International Inc., New York; and James Capel & Co., a London investment firm, have stopped investing there.

John Conlin, SBC's marketing director added, "Spain's market is like a Roach Motel — you check in but you don't check out.

"In international investing you have to know your market, know your returns will offset a market's (settlement) costs. You've got to plan entrances and exits."

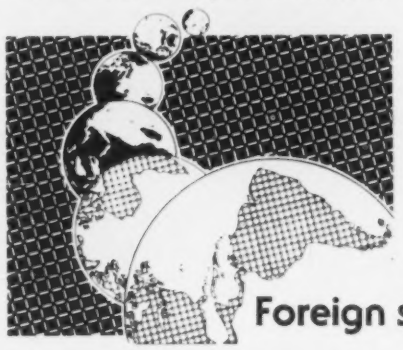
Fast settlement also can be a problem. The $6 billion internally managed Tennessee Consolidated Retirement System, Nashville, and the $52.3 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York, noted Japan's three-day settlement period is hard to handle.

The U.S. market's settlement period is five days.

The internally managed $1.1 billion Young Men's Christian Association Retirement Fund, New York, has had problems clearing some Swiss stocks and has experienced delays of about two weeks on the Continent in general.

A trade is settled when a custodian has paid a broker for securities bought or when a custodian delivers securities that have been sold and receives the proceeds of the sale. Clearing is the final exchange of securities for cash on delivery.

A failure of either party to receive or



Foreign securities

deliver securities by the effective settlement date is called a fail. Fails are common in international trades because for the most part, securities must be delivered physically. In the United States, trades are settled through the Depository Trust Co., a central automated clearing system.

The physical delivery leaves ample room for human error. "When there's a small error in a stock certificate, you can't pencil it out; it has to be reprocessed," noted one international broker.

A security does not reach a custodian until it has been registered in a pension fund's name. Because of the time involved in some countries, if a manager or fund decides to sell that security in the interim, the custodian can receive instructions to deliver shares that have not yet been delivered.

To combat settlement problems, the $6.6 billion United Nations Joint Staff Pension Fund, New York, makes sure it approves of — and keeps in touch with — the 20 local subcustodial banks chosen by its global custodian, Fiduciary Trust Co. of New York.

TIAA-CREF also regularly contacts its overseas subcustodians. In addition, it has adopted standardized numbers for stocks to avoid mix-ups in listing names of foreign securities.

Wardley Investment Services International, New York, has speeded settlement by holding stocks through its own settlement department instead of a custodial bank.

Among problems contributing to settlement woes is the overtaxing of foreign stock exchanges because of the explosion in global investment. U.S. investors usually trade securities frequently, while Europeans traditionally have bought and held securities.

Further muddling international settlement are differences in time zones, exchange rates, markets and regulations. Language differences complicate the communication of orders and exchange of information.

And with generally higher trading costs in overseas investing, settlement mix-ups can be more expensive to the broker, custodial bank or investment manager paying for a fail.

Differences in settlement periods among markets can cut into investment performance.

Often managers must keep cash reserves to cover trades even though they might want to remain fully invested. Large international managers often keep pools of cash in different countries for that purpose.

"Performance drops off when you can't get the money back from the stock you've sold in order to buy another. We are in such a competitive marketplace that to lose 50 to 60 basis points (by holding cash required for trades) could cost a manager an appointment. Settlement is the biggest problem facing international managers. What we have now is growing pains of an industry," said Mr. Conlin of SBC.

The investors who froze investments in or dropped out of the Italian market had varying explanations, with one underlying reason.

Late in 1985 the Retirement System for Savings Institutions, advised its international managers to hold Italian stocks they had but not to purchase any more securities in Italy.

"We're still taking that position," said Bill Dannecker, president and chief operating officer. "As I understood it, the Italian custodial bank, (Banco Commerciale d'Italia, Milan), was not able to track the securities we had. The securities hadn't been entered; we weren't able to confirm to our auditors that the securities were there."

The verification for transactions in late 1985 came only two months ago. "That leads us to believe the problem is not yet corrected," he said.

"I'm sure our international managers would have invested more in the Italian market, but we haven't tracked that closely the Italian market vs. others we were in. We don't know whether we gained or lost by that move but our man-

*Continued on page 41*

# Index managers get biggest slice

By Marlene Givant

As a large number of corporate and public funds plunged for the first time into overseas investing last year, two leading index fund managers reeled in about 30% of the roughly $4.9 billion in new international equity business in 1986, according to *Pensions & Investment Age*.

The top gainer, State Street Bank and Trust Co., Boston, added $1.12 billion in new business for the 11 months, ended Dec. 1, that were covered by the survey.

Wells Fargo Investment Advisors, San Francisco, another leading index player, ranked fourth with $310 million in new business for the period.

Even among active managers, a small number gained the bulk of the new business.

Warburg Investment Management International, London, and Schroder Capital Management International, New York, ranked second and third behind State Street in new international equity business, reporting $421 million and $407 million, respectively.

New business includes contributions from new U.S. tax-exempt clients and additional contributions from existing U.S. tax-exempt clients.

Other international equity managers ranked among the top 10 were: ABD International Management Corp., New York, $215 million; American Express Asset Management, London, $212 million; Arnhold & S. Bleichroeder International, New York, $210 million; Capital Guardian Trust Co., Los Angeles, $179 million; The Prudential Asset Management Group, Newark, N.J., $140 million; and IDS International Inc., Minneapolis, $118.5 million.

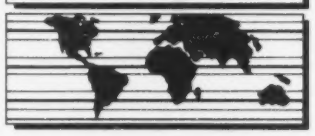
With its gain, State Street nearly doubled its tax-exempt assets under management. And as of Dec. 31, the firm had $3.3 billion in tax-exempt assets from U.S. and non-U.S. tax-exempt clients, according to Harry Sterling, vice president and director of marketing.

The firm, which began offering a Morgan Stanley Capital International Europe Australia Far East index fund in 1978, its first overseas index fund, has developed a base of 45 clients. A large number of new clients last year were public funds, he said.

"When interest in international indexing slackened off in the early 1980s, some firms dropped out," while State Street remained,

*Continued on page 38*

**International update**



## Global markets rise

NEW YORK — The dollar's January tumble boosted returns for dollar-denominated investors in Japan and offset the decline in West Germany's stock market.

With the global economy's slow steady growth, low and falling interest rates and excess liquidity, the World Index rose 11.6% and the Europe Australia Far East index grew 10.5% in January, according to the Morgan Stanley Capital International Perspective, which publishes the indexes.

Nine of the 19 national markets comprising the World Index soared to new highs during January. In local currency terms, Denmark rose 14.4%. Also, Mexico surged 25.4%, reversing its 1986 last place standing.

Other hefty returns were 13% for the United States; Japan, 11.8%; Spain, 10.9%; and Canada, 10.6%. The United Kingdom and Singapore/Malaysia indexes moved up 8.7% and 8.9%, respectively.

In local currency terms, stock markets dropped in Austria and Sweden by 11.2% and 12.5%, respectively.

The fall of the dollar against such currencies as the yen provided significant gains for dollar-denominated investors. In dollar terms, the Japanese market rose 16%, the Canadian market rose 13.9% and the Mexican and Danish markets rose 17.1% and 21.1%, respectively.

## Acquisition complete

LONDON — The newly formed Wardley Investment Services International Ltd. has acquired all the business of Wardley Marine International Investment Management, London.

Formerly a 50-50 partnership of Wardley Investment Services Ltd., Hong Kong, the acquiring firm's parent company, and Marine Midland Banks Inc., New York, Wardley Investment Services International will continue as investment adviser to the Marine Midland International Equity Fund, New York.

"The acquisition of the business provides us with a stronger foothold in the Western Hemisphere," said Thomas A. Veitch, the firm's managing director.

With the new arrangement, Wardley Investment Services International will manage $345 million for tax-exempt clients, including $315 million for non-U.S. tax-exempt clients and the $30 million in the Marine Midland fund.

The price of the acquisition was not disclosed.

*Continued on page 38*

# Get slice . . .

*Continued from page 37*

Mr. Sterling said.

"The product we've been providing is an international index fund primarily. When people are thinking about investing in an international index fund, they come to State Street. We have good people running it and good people marketing it."

The firm did not disclose the names of new clients for publication.

Second-ranked Warburg, which manages more than $915 million for tax-exempt clients, attributes its growth to top-quartile performance.

"I think from our point of view growth has reflected performance over the last few years," said John G. Townsend, director. "We're right at the top of the pack" vs. other money managers in the Wood Mackenzie Co. Inc., New York, universe for one-, three- and five-year periods.

"If you race around the country enough and knock on doors enough and you've got good (performance) numbers, you get new business," said Mr. Townsend.

The firm began the year with one person reporting to clients; it now has four reporting staff members. It also added seven portfolio managers, bringing the total management staff to 35.

**Most new international equity business**

| Company | $ mils. |
|---|---|
| State Street Bank, Boston | 1,120 |
| Warburg Invest. Mgmt., London | 421 |
| Schroder Capital Mgmt., New York | 407 |
| Wells Fargo Invest., San Francisco | 310 |
| ABD Mgmt., New York | 215 |
| American Express Asset Mgmt., New York | 212 |
| Arnhold and S. Bleichroeder, New York | 210 |
| Capital Guardian Trust, Los Angeles | 179 |
| Prudential Asset Mgmt. Group, Newark, N.J. | 140 |
| IDS, Minneapolis | 118.5 |

"We've been preparing for growth. We've seen our competitors grow and then have clients not be able to ring them up . . . a huge education job needs to be done — that's right and proper."

Keeping clients in the dark as to world market conditions and firm strategy can be dangerous.

"If you have a bad quarter, you don't have a leg to stand on . . . We let clients know what we're doing and why. We tell them what's going right and wrong."

Not much has gone wrong so far. The firm's composite international equity returns were 65.9% for the year, a compound annualized 37.1% for three years and an annualized 27.1% for the five years ended Dec. 31.

This compares with the EAFE index returns of 70% for one year, an annualized 42.2% for three years and an annualized 28.8% for five years.

Warburg's new clients include San Bernardino County Employees' Retirement Association, San Bernardino, Calif.; Massachusetts Pension Reserves Investment Trust, Boston; Dun & Bradstreet Corp., New York; and the Arizona State Retirement System, Phoenix.

Schroder, the third-ranked manager, added 12 new clients during the 11-month period.

Among them are PaineWebber Inc. pension plan, New York; Northeast Utilities Service Co., Hartford, Conn.; Houston Police Officers' Retirement System; and State of Hawaii Employees' Retirement System, Honolulu.

"We did so well last year because of consistency of personnel and good performance," said Sharon L. Haugh, first vice president.

The firm, which managed $1.7 billion in tax-exempt assets as of Dec. 31, had returns of 60.7% for the year, 35.9% for the three years and 29.1% for the five years ended the same date.

Wells Fargo, like State Street, benefited from indexing's surge in popularity last year.

"We're one of the leading indexers in the business. In 1986, there was lots of interest in indexing in general. People interested in international are also interested in indexing. We seem to be one of the logical choices," said Bob Haber, vice president.

Most of the new business was corporate accounts going international for the first time. "Indexing is a fairly inexpensive way of getting into that market," he said.

Two of the eight new clients gained last year were public funds, and the number is expected to increase in 1987. The public funds added were Baltimore County Employees' Retirement System and the Prince Georges County, Maryland, employee benefit fund. ■


# An International Quiz

## Do you use an international investment manager who...

- ☑ Ranks in the top decile of INTERNATIONAL EQUITY managers and has beaten EAFE by 5% a year.
- ☑ Ranks #1 in GLOBAL BONDS over the past 1, 2 and 3 years and has beaten the world bond index by 9% a year.
- ☑ Offers a GLOBAL CASH MANAGEMENT vehicle yielding over 13% a year.

## Want One?

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**Contact:** Barry Gillman, Managing Director, (201) 877-7982, or Buck Bowen, Prudential Asset Management Company, (201) 877-9298. PCM International is an affiliate of the Prudential Insurance Company of America.

**Cash Management:** PruTrust GLOBAL YIELD portfolio gross yield 13.3% as of February 1987.

**Indices:** Salomon Bros. World Bond Index, Morgan Stanley Capital International Europe, Australia and Far East Index.

**Universes:** Frank Russell World Bonds–PruTrust GLOBAL BOND FUND, 1984-86; InterSec Non-US Equities–PCM's PRINT portfolio, 1985-86.


## International . . .

*Continued from page 37*

Wardley Marine International Investment Management managed $155 million in total tax-exempt assets at the time it was acquired.

### *Stock buys healthy*

NEW YORK — Despite the fact U.S. investors sold a net $800 million in foreign stocks in the third quarter of 1986, the first three quarters' net purchases were a healthy $3.4 billion, according to a report by the Securities Industry Association.

Record net purchases of $4.2 billion in foreign stocks by mid-1986 were offset by the third quarter net sales, many of which were of Japanese stocks.

In the same period, gross activity hit $72.4 billion, 59% higher than 1985's annual record of $45.6 billion.

During 1986, U.S. investors had a love-hate affair with Japanese stocks. They followed their first quarter net purchases of $1.1 billion with net purchases of only $198 million in the second quarter and swung to net sales of $1.2 billion in the third quarter.

After a hefty gain of more than 20% in the first quarter, the Japanese stock market slowed in the second quarter. Although upward momentum resumed in the third quarter, the Japanese market was particularly turbulent in September.

Some of the third quarter's climb was prompted by expectations of interest rate cuts. When a reduction in Japanese rates did not follow a decrease in U.S. rates, the Japanese stock market sold off sharply, the report said.

U.S. investors took a cautious approach to European stocks in the third quarter. Net purchases plunged to $202 million from $1.3 billion in the second quarter.

Underlying the drop was a 92.6% cutback in net purchases of U.K. stocks to $55 million in the third quarter from $746 million in

*Continued on page 40*

# Corporate Finance

## Leasing OK in spite of tax reform

**By Brad Rudin**

Predictions of tough times for the leasing industry in the aftermath of tax reform now appear overstated.

Reduced tax rates, longer depreciable lives and the end of the investment tax credit were expected to stunt the industry, which, according to government figures, had grown almost 19% between 1978 and 1984.

Lessors have emerged as major players in the equipment financing business despite legislative changes that have reduced the benefits of tax-oriented deals, said Mark S. Comora, president of Commercial Union Capital Corp., New York.

"Even though leasing may not make sense in as many places as before, leasing as a form of financing is so widely accepted that every good idea gets a very fair hearing."

Leasing in recent years has financed more capital investment than equity and debt offerings combined, according to figures compiled by the U.S. Department of Commerce and the American Association of Equipment Lessors, a trade group based in Arlington, Va.

Tax advantages will play a smaller role as lessors diversify into real estate leases, secured loans and operating leases, according to the Commerce Department's report.

*Continued on page 48*

# Mack rolls out $450 million TRUCS

**By Marci Baker**

ALLENTOWN, Pa. — Mack Trucks Inc. is revving up to launch the first public offering of securities backed by heavy duty truck receivables, saving in excess of 200 basis points on its cost of debt.

Mack Trucks Receivables Corp. filed a shelf registration with the Securities and Exchange Commission in late February to issue $450 million of asset-backed notes. The company is a special purpose subsidiary of Mack Financial Corp., which, in turn, is a subsidiary of Mack Truck.

Mack's first offering likely will be about $250 million and is expected to hit the market in late March, said Joseph McDevitt, treasurer of Mack Financial and Mack Trucks Receivables.

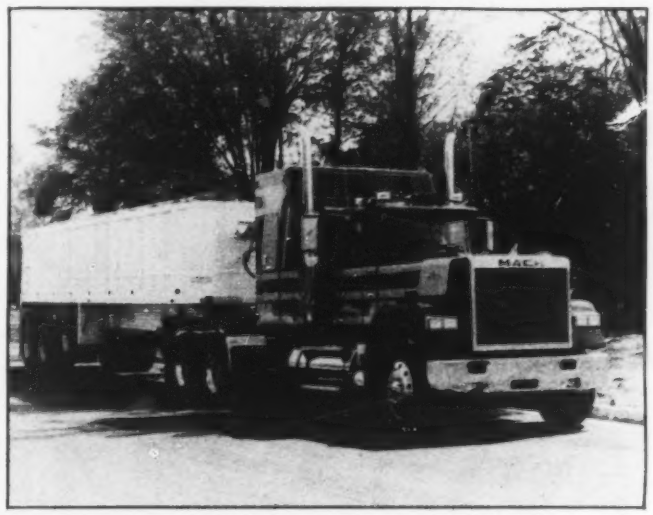
Like previous asset-backed deals, such as CARs, automobile receivables, and CARDs, securities backed by credit card receivables, Mack's will carry its own signature: TRUCS, or truck receivables underlying certificates.

The deal, which Shearson Lehman Brothers Inc., New York, and Mack have worked on since last summer, will be Shearson's first major public receivables transaction. Mack Truck Receivables will use the proceeds to buy the heavy duty truck loans from Mack Financial, which, in turn, will use the money to pay down debt. "We should significantly reduce our cost of debt with the issue," Mr. McDevitt said.

The company now carries about $360 million in intermediate and long-term debt on its books, with an average interest rate of 10.2%. "We were quite happy with that rate for a long time, but now it's over current market rates," he said.

Unlike most other receivables transactions, which typically are structured as pass-through certificates, the Mack Truck offering will be structured as secured debt via a pay-through format.

Pass-through instruments represent interests in the underlying collateral, with principal and interest of that collateral being passed through to holders of the certificates.



*Mack Trucks, Inc., manufacturer of this Super-Liner II, filed a shelf registration to issue $450 million of receivable-backed securities, a first for the trucking industry.*

Under the TRUCS structure, Mack Financial will sell the heavy duty truck receivables to that subsidiary, which, in turn will issue debt against them.

One advantage of that structure is it eliminates the prepayment uncertainty surrounding the underlying receivables, said Thomas Richardson, senior vice president at Shearson.

Early prepayment risk imposes an element of uncertainty on the cash flows and final maturity with the pass-through structure. With the secured debt structure, investors will get an instrument with a known stream of payments and a known final maturity.

"One reason we've taken the approach is because there's not much familiarity with the performance characteristics of prepayments on heavy duty trucks," Mr. Richardson said. By eliminating prepayment uncertainty, Shearson expects to gain better pricing on the deal.

The loans backing the TRUCS deal will be fixed-rate, fixed-term retail loans of Mack Financial. Prepayment rates on heavy duty truck financings tend to be low. "In the last rapid rate decline, there wasn't any dramatic change in the performance of prepayments," noted Mr. Richardson.

The lower prepayment rates are mainly because of the nature of truck financing and the life of the vehicle.

Heavy duty truck loans generally are made to operators of one- to five-truck fleets. The terms of the financings generally carry five-year lives and rapid payment streams, while Mack trucks are on the road for an average of 10 to 12 years. By the time an operator may think it worthwhile to refinance, he's paid off much of the original loan and is building up equity in the truck.

If the market responds well to the initial TRUCS transaction, Mack Truck plans to do at least two more deals of $100 million each.

A letter of credit from a highly rated bank will likely provide additional credit enhancement for the TRUCS transaction. Whether the deal will require overcollateralization will be a function of negotiations with the bank providing the letter of credit.

The transaction will be treated as an intercompany sale of assets. The receivables will continue to show up on Mack Truck's consolidated balance sheet. The equity or residuals associated with the deal will continue to be owned by Mack Financial. ■

## New issues of corporate securities

Feb. 2 — Feb. 13

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 2/5 | Enron Corp. | 625.00 | Sr. Sub. Deb. | 85.91% | 2.751 | OTC | Drexel Burnham Lambert |
| 2/4 | FBC Mortgage Securities Trust XI | 495.00 | GNMA CMO | 99.88% | .651 | OTC | First Boston |
| 2/4 | FBC Mortgage Securities Trust XI | 495.00 | GNMA CMO | 99.94% | .500 | OTC | First Boston |
| 2/6 | CMO Trust 20 | 371.25 | Col. Bonds | 100.00% | .500 | OTC | Salomon |
| 2/11 | Amstar Corp. | 335.00 | Sr. Sub. Note | 100.00% | 3.500 | OTC | Merrill Lynch |
| 2/6 | Detroit Edison Co. | 300.00 | Gen. & Ref. Bond | 98.25% | .891 | OTC | Morgan Stanley |
| 2/5 | Santa Barbara S&L | 300.00 | Mtg. Backed | 99.38% | .679 | OTC | Salomon |
| 2/10 | Kidder Peabody Mortgage Trust 4 | 282.47 | FHLMC CMO | 99.87% | .461 | OTC | Kidder, Peabody |
| 2/10 | Texas Utilities Electric Co. | 250.00 | First Mtg. | 99.60% | .879 | OTC | Salomon/First Boston/Goldman, Sachs/Prudential-Bache |
| 2/5 | Tenneco Credit Corp. | 250.00 | Notes | 99.88% | .676 | NY | Merrill Lynch/Morgan Stanley/First Boston |
| **Common Stock** | | | | | | | |
| 2/6 | Federal National Mortgage | 289.50 | | $48.25 | 2.90 | NY/MW/PC | SLB/FBC/GS/MLCM/MS/SAL* |
| 2/12 | Himont Inc. | 287.00 | | $28.00 | 5.29 | IPO (NY) | Wertheim-Schroder/First Boston/Goldman, Sachs |
| 2/13 | Quest For Value Dual Purpose Fund | 225.00 | | $12.50 | 7.00 | IPO (NY) | Oppenheimer & Co. |
| 2/12 | American Health Properties | 200.00 | | $20.00 | 6.75 | IPO (NY) | DWR/GS/SAL/SBH** |
| 2/10 | NWA Inc. | 199.50 | | $66.50 | 0.95 | NY/MW/PC | Merrill Lynch |
| 2/5 | Echlin Inc. | 147.10 | | $22.63 | 2.56 | NY | E.F. Hutton/Donaldson, Lufkin & Jenrette/Shearson Lehman |
| 2/11 | British Airways PLC | 120.10 | | $19.07 | 1.96 | IPO (NY) | Salomon/Goldman, Sachs/Prudential-Bache |
| 2/5 | Sun Distributors | 96.90 | | $5.00 | 7.50 | IPO | Shearson Lehman/Dean Witter Reynolds |
| 2/11 | Western Digital Corp. | 45.80 | | $26.25 | 4.50 | AM | First Boston/Montgomery Securities/Needham & Co. |
| 2/5 | The Musicland Group | 35.00 | | $20.00 | 7.00 | IPO (NY) | Merrill Lynch/Bear, Stearns/Donaldson, Lufkin & Jenrette |

*Source: Securities Data Co., New York*

*Sr. Sub. Deb.: Senior subordinated debenture*
*GNMA CMO: GNMA-backed collateralized mortgage obligation*
*Col. Bonds: Collateralized bonds*
*Gen. & Ref. Bond: General & refunding mortgage bonds*
*Mtg. Backed: Mortgage-backed bonds*
*FHLMC CMO: FHLMC-backed collateralized mortgage obligation*
**Shearson Lehman/First Boston/Goldman, Sachs/Merrill Lynch/Morgan Stanley/Salomon*
***Dean Witter Reynolds/Goldman, Sachs/Salomon/Smith Barney, Harris Upham*

*NY: New York Stock Exchange*
*OTC: Over the Counter*
*IPO: Initial Public Offering*
*AM: American Stock Exchange*
*MW: Midwest Stock Exchange*
*PC: Pacific Stock Exchange*

## Equipment leasing: Performance and forecast

| | $ billions | | | | % growth[3] | % | | |
|---|---|---|---|---|---|---|---|---|
| | 1984 | 1985 | 1986[1] | 1987[2] | 1978-'84 | 1984-'85 | 1985-'86 | 1986-'87 |
| Equipment leasing[4] | 74.5 | 93.7 | 95 | 97 | 18.8 | 25.8 | 1.4 | 2.1 |
| Business investment in equipment[5] | 277.3 | 303.4 | 309.5 | 321.9 | 7.7 | 9.4 | 2 | 4 |

[1] estimate
[2] forecast
[3] compound annual
[4] estimates of new lease receivables based on survey data from the American Association of Equipment Lessors
[5] private non-residential investment in producers durable equipment
Source: U.S. Department of Commerce, Washington

# Leasing OK . . .

*Continued from page 47*

Although the report said loss of tax advantages would shrink the leasing industry's growth to 2.1% between 1986 and 1987, Commerce Department economist M. Bruce McAdam now believes that figure should be doubled because of the industry's strength so far this year.

That growth rate still is almost half of the 8% increase in leasing volume predicted for this year by the American Association of Equipment Lessors.

The alternative minimum tax, which discourages some companies from owning equipment, has invigorated the leasing industry more than expected, Mr. McAdam said.

Still, the big-ticket end of the industry has been slow to feel the beneficial effects of the alternative minimum tax, said Bruce E. Walenczyk, a vice president in the lease financing group at Kidder Peabody & Co., New York.

Until corporate executives "get their arms around the whole situation, they just are not going to be spending money on new capital acquisitions," he said.

Middle-market lessors — those that lease equipment with a purchase value of less than $5 million — offered a brighter view. "We are busier than we have ever been," said W. Randall Dietrich, manager of capital funding at Republic Financial Corp., Denver, which is a middle-market and big-ticket lessor.

"We've had companies that in the past have not leased and have now said that it makes sense for them to lease because they are going to be in the AMT . . . so their lease vs. buy decision, which before said buy, now says lease," Mr. Dietrich said.

Equipment ownership generates accelerated depreciation deductions that are treated as tax preference items, which are added to a company's ordinary income to determine federal tax liabilities under the alternative minimum tax.

Under the Tax Reform Act of 1986, corporations must pay the AMT if that tax bill is higher than the one produced under the calculations for the ordinary tax.

The amount of the preference item from depreciation is set by calculating the difference between the current tax law's double-declining balance method and the 150% declining-balance method used in prior legislation, according to a brochure published by General Electric Credit Corp., Wilton, Conn.

In addition, half of the excess of book income over tax income will be a tax preference. The less generous depreciation typically used in calculating book income creates more exposure to the alternative minimum tax.

Treasurers have become more involved in the decision to lease because of the AMT, said Robert A. Bardagy, executive vice president for marketing at Comdisco Inc., Rosemont, Ill.

Before tax reform, Comdisco — a lessor of high technology equipment — dealt mostly with the customer's computer specialists, Mr. Bardagy said. "Suddenly we have a situation now where our thrust is to the CFO as opposed to the technical side of the house."

Concern about the AMT takes second place as a reason for leasing in the airline industry, said Douglas B. Swets, treasurer of Western Air Lines Inc., Los Angeles. The company leases slightly less than 50% of its planes.

Western leases to get tax advantages it can't obtain by buying equipment, Mr. Swets said, explaining the company's net operating loss carryforwards prevent it from using tax benefits as rapidly as some lessors. Those tax benefits are passed through to Western in the form of lower rental rates.

A recent $121 million leveraged lease of six Boeing 737 aircraft, in which Westinghouse Credit Corp., Pittsburgh, put up a third of the amount as equity, resulted in a financing cost of 6.5%, rather than the 10% that Western would otherwise pay if they'd bought the aircraft, Mr. Swets said.

The debt in this 1986 deal came from U.S. life insurance companies and European banks, Mr. Swets said.

In a leveraged lease, the lender provides debt on a non-recourse basis to the lessor, which provides the equity layer of the transaction. The lessor's equity interest in the asset provides access to tax benefits of ownership that are passed through to the lessee in

*Continued on page 49*

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# Corporate notes

## Takeover debt grows

NEW YORK — In spite of some predictions to the contrary, the Federal Reserve Board's crackdown last year on junk bond-financed takeovers did little to curb high-yield financing or the takeover phenomena.

According to a report by Morgan Stanley & Co., New York, acquisition-related issuance continued to be a major contributor to new high-yield debt issuance in 1986, but non-acquisition-related financing made up most of the activity.

Dollar volume for acquisition-related junk bond deals more than doubled to $14.7 billion from $6.2 billion in 1985.

At the same time, high-yield issuance unrelated to acquisitions closed the year at $21.4 billion, up from $10.1 billion in 1985.

While volume surged on an absolute basis, Morgan reported acquisition-related deals constituted only a slightly greater portion of overall junk bond issuance last year than it did in 1985 — 40.7% vs. 38.2%.

Financings outside the takeover arena made up 59.3% of total volume, down slightly from 61.8%.

The Fed ruled in December 1985 that margin rules would apply to certain kinds of high-yield financed takeovers. Effective Jan. 1, 1986, junk bonds issued by an acquirer's shell company could not be used to finance more than 50% of a takeover transaction.

Although some at the time predicted the ruling would be a severe blow to the high-yield bond business, others, including Morgan Stanley, noted the Fed granted enough exceptions to allow other means of launching acquisitions with the help of high-yield bonds.

The Morgan report supports the firm's 1985 contention that the Fed ruling would not slow the pace of junk bond financing or merger activity.

"Takeovers are not the whole story in the high-yield bond market," said Martin Fridson, Morgan's manager of credit research.

Likewise, high-yield bonds are not the whole story in the takeover arena.

The report points out acquisition-related issues made up less than 10% of the $188.6 billion of total merger and acquisition volume last year. Only a portion of the $14.7 billion high-yield volume stemmed from hostile transactions, it stated, dispelling the view that junk bonds in the hands of hostile suitors have been responsible for merger mania.

"Whether mergers are good or bad, from a public policy standpoint, speculative-grade bonds do not deserve the bulk of the credit or blame for the boom," the report asserts.

Morgan Stanley's numbers do not include low-rated debt created from large recapitalization efforts by such companies as Colt Industries Inc. or Owens-Corning Fiberglas Corp. Since such transactions may have been motivated by a desire to avoid hostile bids that could have been financed through the high-yield market, the report concedes low-rated bonds probably played a greater role in corporate restructuring last year than in prior years.

But acquisition activities by highly rated companies also continued to be important in the trend toward industrial consolidation and increased corporate leverage.

More than half of the multibillion-dollar deals in 1986 stemmed

*Continued on page 50*

## Leasing . . .

*Continued from page 48*

the form of lower rental rates.

Mr. Swets said 100% financing ranked as another important reason for leasing, and off-balance sheet financing offers a third — but less important — reason.

Leveraged leasing gives companies with weak credit ratings the ability to gain access to large amounts of capital if they have strong cash flows, said Donald R. Kendall, a managing director in the leasing unit at Drexel Burnham Lambert Inc., New York.

The Alamito Co., Tucson, Ariz., a supplier of wholesale power, last year refinanced a $707 million electric power generating station with a leveraged lease in which Drexel served as the agent. Lenders were willing to finance the $513 million debt portion of the transaction because Alamito has a contract to sell power to the Tucson Electric Power Co., Mr. Kendall said.

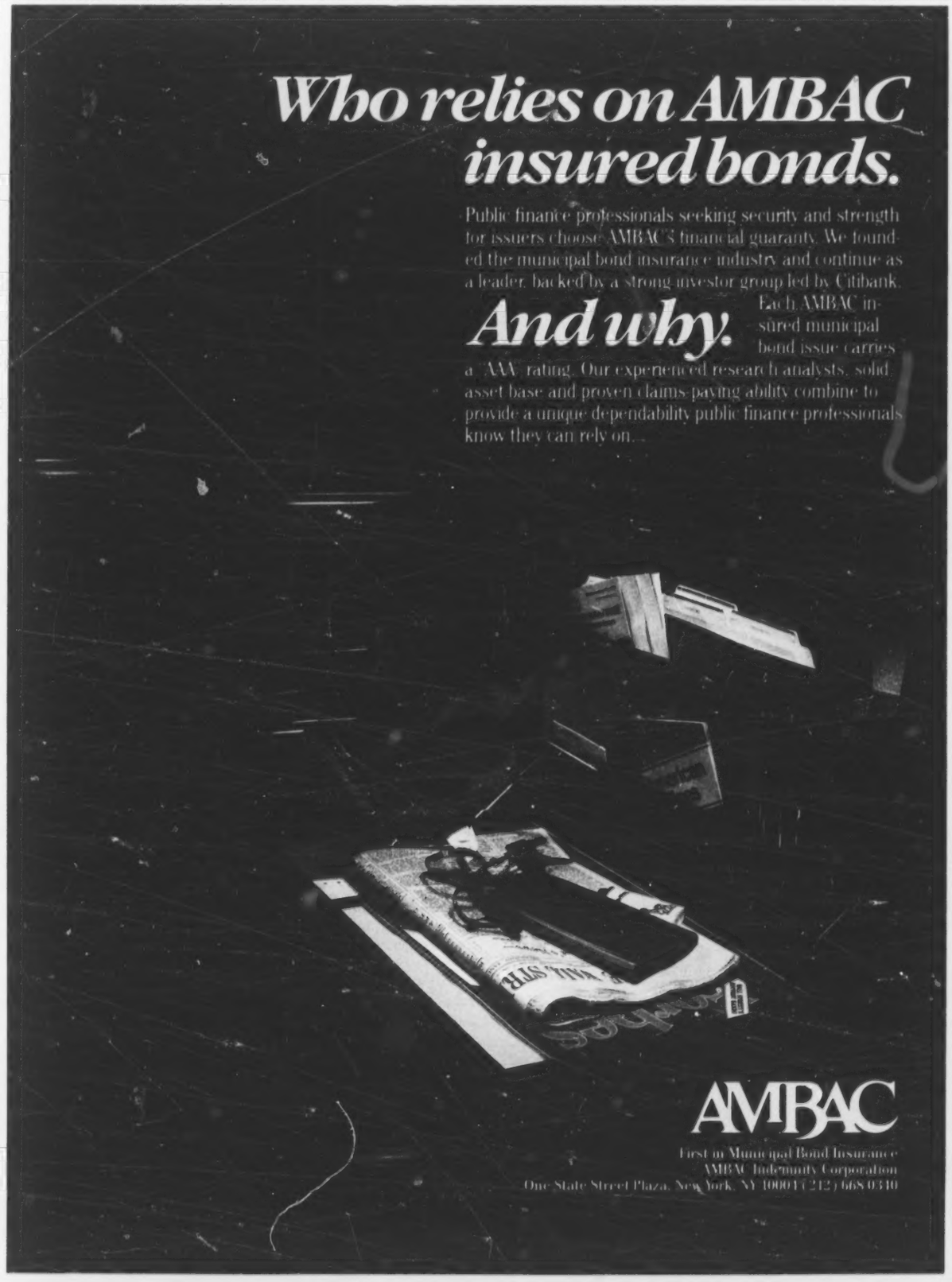
Leasing enabled The Williams Cos., Tulsa, Okla., to build a $100 million fiber-optic cable from Fairfax, Kan., to Salt Lake City. Because Williams had below-investment grade credit ratings, "the public markets did not offer an attractive alternative," said William J. La Croix, Williams' treasurer.

The January 1987 leveraged lease and sale-leaseback of the fiber-optic system, in which The CIT Group, New York, provided the equity financing, provided a boost to Williams because the company had the use of the $100 million after the sale and leaseback, said Stephen C. Rosenberger, a project manager with The CIT Group. The CIT Group is the leasing subsidiary of Manufacturers Hanover Corp., New York.

Typically, in a sale-leaseback, the lessor can use the asset's tax benefits more efficiently than the end user, which benefits from rental rates that reflect the tax advantages enjoyed by the lessor.

Lessors can add value irrespective of the tax characteristics of a deal because they know the equipment being financed better than other sources of capital, said Craig H. Raddatz, a vice president in the equipment financing group at Heller Financial Inc., Chicago. "We can turn the credit around faster than somebody who doesn't understand the industry."

He also cited long financing terms and variable payment streams as other advantages of leasing. ■



# Money mover scorecard listings corrected

## Most new business portfolio insurance

| Company | $ mils. |
|---|---|
| Wells Fargo Investment, San Francisco | 7,505 |
| J.P. Morgan Investment Mgmt., New York | 3,460 |
| Bankers Trust—Invest. Mgmt., New York | 2,083 |
| Skye Investment Advisors*, Cupertino, Calif. | 840 |
| RepublicBank Dallas, Texas | 800 |
| Oppenheimer Capital, New York | 425 |
| BEA Associates, New York | 309 |
| Advanced Investment Mgmt. Inc., Pittsburgh | 205 |
| Northern Trust Co., Chicago | 120 |
| Boston Co., Mass. | 100 |
| Citicorp Investment Mgmt., New York | 100 |

* Provides portfolio insurance for RepublicBank, Dallas

Two tables printed in the Feb. 9 Scorecard issue were incomplete. On the portfolio insurance table, data for J.P. Morgan Investment Management Inc., New York, was entered incorrectly. On the real estate equity table, Equitable Real Estate Investment Management Inc.'s data was omitted inadvertently.

## Most new real estate equity business

| Company | $ mils. |
|---|---|
| Heitman Advisory Corp., Chicago | 900 |
| Equitable Real Estate Investment Mgmt. | 814 |
| Copley Real Estate Advisors, Boston | 775 |
| Aetna Life & Casualty, Hartford, Conn. | 511 |
| TCW Realty Advisors, Los Angeles | 317 |
| Richard Ellis, Chicago | 301 |
| Jones Lang Wootton Realty, New York | 300 |
| JMB Institutional Realty, Chicago | 261 |
| J.W. O'Connor & Co., New York | 260 |
| Eastdil Realty, New York | 243 |
| La Salle Advisors, Chicago | 239 |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# Sasco trio begins to see payoff

FAIRFIELD, Conn. — Leaving the security of IBM Corp. to strike out on their own has worked out well for three of the partners of Sasco Capital Inc., which now has three clients and more than $600 million under management, and three more clients about to sign contracts.

The three — Lee Garcia, Daniel Leary and Bruce Bottomley — who ran IBM's internally managed equity assets, and Daniel Sullivan, who departed Rollert & Sullivan Inc., launched their own money management firm just over a year ago.

Armed with IBM of Stamford, Conn., as its first client, Sasco was able to avoid many of the growing pains a start-up normally experiences. The foursome also shared the same investment philosophy and worked well together.

But mastering the mysteries of marketing was another challenge altogether.

"Getting our names and faces out there — the cold calls and the initial personal contacts — it was an adjustment," Mr. Leary said.

Added Mr. Garcia, "Learning how to approach the marketplace was the most difficult part of the startup. We were used to being portfolio managers, not marketers."

Today the firm has more than $600 million under management, and three accounts, including IBM and General Dynamics Corp., St. Louis. Three more corporate accounts will be on board before the end of the second quarter, Mr. Garcia said, but he declined to identify them.

"We're well ahead of where we thought we'd be after one year," he added.

Sasco holds about 30 companies in its portfolio. Its dynamic value philosophy is centered on spotting companies in transition, financial underachievers that can benefit from redeployment of assets. Unlike traditional value managers, Sasco isn't interested in price-earnings ratios and quarterly earnings.

"We are more event driven," Mr. Garcia said.

The firm uses proprietary software developed at IBM that screens companies with sizable investment gaps. And the partners spend a good deal of time talking with senior management.

In 1986, Sasco somewhat underperformed the Standard & Poor's 500 stock index and so far this year, it is modestly trailing the index. Less than 40% of Sasco's portfolio comprises S&P companies. "Ours is very much a non-market portfolio," Mr. Garcia said. ■

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# Proxy solicitation under fire as votes near

**By Marcia Parker**

As corporations attempt to influence the voting of their pension funds' proxies, the proxy solicitation process is coming under increasing attack, with some calling the system unfair and at least one independent expert saying it is subject to "outright fraud."

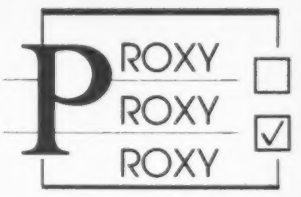
The upcoming spring proxy season will place the system under growing pressure, as record numbers of proxy sponsors are placing myriad resolutions before corporations on issues ranging from poison-pill withdrawals to South Africa divestiture.

"The biggest issue facing corporate America today is who has the ultimate right to vote these shares, who has the right to influence those votes, and how much influence is allowable," said Don Carter, president of The Carter Organization, a leading proxy solicitation firm in New York.

"In the past, there was a lack of knowledge and indifference about voting procedures and policies. Now that executives understand how important the vote is, they are asking questions."

Shareholders increasingly are challenging a system they claim is misunderstood, ill-defined and sometimes stacked against them. Many are calling for key changes, including secret ballots, indepen-

*Continued on page 42*




Pensions & Investment Age

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# High hedging costs surprise funds

**By Trudy Ring**

Portfolio insurance cost some pension funds 50 to 100 basis points more than expected in 1986, largely because of the stock market's volatility, especially during the second half of the year.

Experts in the field said cost projections usually are 200 to 300 basis points a year; the actual cost in 1986 likely was 50 to 100 basis points higher.

Portfolio insurance, also called dynamic hedging, generally involves the short sale of stock index futures to create a synthetic put option on a large portfolio. The goal is to hold portfolio losses to a pre-specified level in a down market; the cost is underperformance in an up market.

"The costs were well in line with expectations during the first half (of 1986), but higher than expected in the second half, due to the choppy, trendless market," said C.F. Lemons, director-trusteed benefit funds at Manville Corp., Denver.

This led Manville to modify its dynamic hedging program, which it uses on its entire $756 million pension fund, Mr. Lemons said. The program had aimed for a 0 minimum rate of return over a three-year time horizon; Manville changed this to a −5% return.

Several pension funds use a negative minimum return in portfolio insurance programs. This doesn't mean they are likely to end up with a negative return, but lowering the minimum return means they lower the cost of hedging because they won't have to put hedges on the fund as frequently.

"There's a trade-off in terms of cost," Mr. Lemons acknowledged.

Nevertheless, he said, dynamic hedging has been worthwhile for the Manville fund, which was one of the technique's earliest users, in 1984. The program has allowed the fund to lock in substantial gains and cut contributions, he said.

The $350 million Minneapolis Teachers' Retirement Fund, one of the few public funds using dynamic hedging, also saw costs exceed expectations in 1986. "It did cost us a little more than projected, because of the increased volatility," said Harry Adams, executive secretary and investment manager. "It was not a dramatic increase."

The fund, which started using dynamic hedging last spring, will make a routine review of the program at the end of its first year. "I would think that we would continue some form of portfolio insurance during the coming year," Mr. Adams said. "I would hope my trustees would see the advantages of some sort of program."

The fund applies the hedge to $185 million in equities, which was its entire equity allocation at the time the program started. The equity allocation now is up to $250 million, the result of market gain and increased allocation made possible by the hedge, Mr. Adams said.

Even though the price tag on dynamic hedging for the $200 million equity portfolio of the $300 million San Diego Gas & Electric Co. pension fund also was higher than expected, it's too early to judge the

*Continued on page 45*

## Inside:

**ESOPs:** The retirement of Sen. Russell Long of Louisiana has left employee stock ownership plan advocates seeking a new champion. *P&I Age* examines this and other issues facing ESOPs in a special report — page 15.

**CASH MANAGEMENT:** Differences in state laws are causing HMOs, such as Humana, some of whose employees are shown below, to decentralize cash operations. This boosts fees, lowers returns — page 31.

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# Japanese lifting U.S. investment

**By Joel Chernoff**

Japanese investors, long major buyers of U.S. Treasury securities, are expected to pour between $15 billion and $20 billion into the U.S. stock market this year, but a few observers think the total could be $200 billion to $300 billion within three years.

Even a $15 billion to $20 billion influx would far exceed last year's $6 billion in net new purchases by Japanese institutional and retail investors, and is a far cry from the $1 billion invested in 1985.

The infusion from the Japanese institutions is expected to help prolong the current bull market.

"In terms of equities, I predict an avalanche. If you want to stay on top of things, you better get a pair of skis," said Robert Brusca, senior vice president and chief economist for Nikko Securities Co. International, New York.

Mr. Brusca predicted new money invested in U.S. stocks by the Japanese in 1987 would total $52 billion to $60 billion, buoyed by Japan's huge trade surplus, loosened restrictions permitting Japanese institutions to invest more abroad, a more stable exchange rate with the dollar and relatively cheap values for U.S. stocks.

He said the total easily could top $200 billion during the next three years and might well reach $300 billion — or roughly 10% of the current capitalization of the U.S. stock market.

Similarly, William Jacques, who recently left Batterymarch Financial Management, Boston, to become a partner in newly formed Martingale Asset Management, Boston, estimated Japanese investors will put $150 billion to $200 billion in U.S. stocks during the next two years.

*Major Tokyo managers are among Japanese investors expected to put $15 billion in U.S. stocks.*

Cheaper U.S. stocks are attractive to the Japanese, of course. In addition, Mr. Jacques said, the Japanese government has quietly signaled to investors there to buy U.S. stocks in an amount equal to the $200 billion they now hold in U.S. fixed-income securities.

The Japanese have four times the savings rate of Americans, with an economy half as big, he said.

*Continued on page 47*

# ESOP may be key in Harper & Row takeover

By Brad Rudin

Harper & Row Publishers Inc.'s continued existence as an independent book publisher could rest in the hands of its employees, who hold 29% of the company's stock in an employee stock ownership plan.

"While they don't control the company, they do have a large block of stock," said J. Kendrick Noble, an analyst at PaineWebber Inc., New York. "Therefore they could be a swing factor in the vote."

Harcourt Brace Jovanovich Inc., an Orlando, Fla.-based book publisher, earlier this month proposed to pay Harper & Row stockholders $50 cash a share for the New York company. Another offer, $34 a share, came from private investor Theodore Cross. Harper & Row stock had been trading at $25 at the time of Mr. Cross' offer in early March. The stock closed at $52 March 17.

Harper & Row's board of directors retained Kidder, Peabody & Co., New York, as its financial adviser and appointed a committee of independent directors to study options.

The chairman of the committee, Winthrop Knolton, said in a prepared statement the company will consider all options, "including continuation of our existing business plans, possible business combinations, sales of stock, restructuring and the sale of all or part of the company."

Harper & Row postponed indefinitely an April 2 vote on the creation of two classes of stock shares with different voting rights.

If Harper & Row employees vote for a takeover, they stand to gain as stockholders. But acquisition of the company could jeopardize their job security.

Harper & Row's unionized workers have not made their views known to District 65 of the United Auto Workers, New York, which represents 50% of the company's non-managerial employees, said Patricia Slesarchik, a union official.

The plan document governing the 6-year-old ESOP gives employees the right to vote and tender their own shares, said Edward A. Miller, Harper & Row's general counsel.

Manufacturers Hanover Trust Co., New York, serves as the ESOP's trustee.

What role Manufacturers Hanover would take in a vote or tender offer remains unclear.

"The bank still has the responsibility, and the bank will have to decide whether what the participants want to do is proper," said a lawyer who asked not to be named.

The Employee Retirement Income Security Act of 1974 gives the trustee the responsibility to manage and dispose of ESOP plan assets unless an investment manager is appointed to control the assets or unless a named fiduciary assumes the responsibility, the lawyer said.

"There's a big debate whether you can give something like an investment decision to plan participants," said Thomas A. Jorgensen, a lawyer with Calfee, Halter & Griswold, Cleveland.

David M. Binns, executive director of the Employee Stock Ownership Association, a Washington-based trade group, said he opposes any formula that would give trustees final say over ESOP plan assets.

A rule giving final authority to the trustee would deprive both employees and managers of their ability to shape the company's future, he said, adding this result would be most anomalous when the ESOP owned most of the company's shares. ■

# *University fund tops bull market*

By Steve Hemmerick

BERKELEY, Calif. — The $9 billion University of California pension fund is using active in-house equity management to beat the same roaring bull market that has left many others behind.

While the thinly staffed UC investment team bettered the Standard & Poor's 500 stock index in 1986 by just less than four percentage points, some equity money managers are complaining it's tough to beat a bull market and will make it up when the market turns bearish.

Those managers have a lot of catching up to do. According to the Trust Universe Comparison Service, a performance evaluation service with 43 member banks and insurance companies, about 64% of the active equity managers couldn't beat the S&P 500 in 1986, although they were paid millions of dollars in fees to do so.

The UC pension fund's equity portfolio returned 22.4% in calendar 1986, while the S&P returned 18.7%. The median TUCS portfolio returned 16.8%.

For the two years ended Dec. 31, the UC equity portfolio returned a compound annual 27.1% vs. 25.1% for the S&P; the TUCS median was 22.4%. And for three years, UC returned an annualized 19.1% vs. 18.5% for the S&P and 16% for the TUCS median.

For the first two months of 1987, the retirement system had an equity return of 18% vs. 16.5% for the S&P 500.

Because of its performance, the retirement system logged a gain of $1.2 billion in assets, to $9.2 billion at the end of February from $8 billion at the end of 1986.

And the endowment fund, which has slightly better return figures than the retirement fund in the past three years, jumped to $980 million at the end of February from $860 million at the end of 1986.

The money is managed actively because "we don't believe in" passive management, said Patricia A. Small, associate treasurer for the university.

She said there are too many "me-too" second-rate companies in the S&P. The retirement system wants to invest in companies that are "dynamic growers in the economy," she said.

When salaries for the 11 professionals on the team that runs both the pension and the endowment fund are subtracted, UC's performance still shines, she said.

Ms. Small said she couldn't estimate how much money the system saves by using university-employed workers instead of external active money managers: Fees for external managers vary too markedly. She did say the entire investment office budget for about 30 people, including secretaries, is about $2 million a year.

On a balanced-fund basis, the retirement system is at or near the top of the 10,000-portfolio universe of SEI Funds Evaluation, Wayne, Pa.

For the year ended Dec. 31, the retirement system returned 23.2% for total fund performance, while the top quartile breakpoint in the SEI balanced universe was 18.1% and the median was 15.6%.

For two years, the retirement fund returned a compound an-

*Continued on page 41*

*Clothing Workers union members protest a financing agreement that affects their Reeves pension plan.*

# Termination draws union ire

By Trudy Ring

The Amalgamated Clothing and Textile Workers Union is fighting the proposed termination of Reeves Brothers Inc.'s pension plans, whose excess assets will be used to pay down debt incurred by Schick Inc. in its acquisition of Reeves last year.

The union is launching a campaign against the nine banks that financed Darien, Conn.-based Schick's acquisition of Reeves, Spartanburg, S.C. The situation also is likely to put overfunded plan terminations under more scrutiny by Congress; a Reeves worker is scheduled to testify at a joint meeting of House and Senate subcommittees March 24.

The loan agreement between the nine banks and Schick states that upon receipt of any surplus from termination of Reeves' salaried or hourly pension plans, Schick will use up to $20 million of that surplus as a loan payment. The document also says Schick and Reeves agreed to seek termination of the plans as soon as possible.

Schick has filed with the Pension Benefit Guaranty Corp. for termination of the salaried plan, but not for the hourly plan. Union officials said they believe the loan agreement mandates termination of both plans.

The union and the Virginia AFL-CIO began the campaign with a demonstration March 10 at Sovran Bank, Richmond, Va. Demonstrations and meetings with officials at other banks are planned, said Bill Patterson, national field director for the union.

*Continued on page 41*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

**P&I Age February Indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 3.95 | 17.96 | 29.54 |
| Russell 3000 | 4.71 | 18.14 | 26.64 |
| Ryan Index | .48 | 1.38 | 12.28 |
| Shearson Lehman Gov't./Corp. | .66 | 2.04 | 12.54 |

Source: Rogers, Casey and Barksdale Inc.

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# Groups to fight SEC ruling on ads

By Chuck Paustian

Members of the investment management community intend to fight the Securities and Exchange Commission staff's decision to require performance figures in advertisements to reflect management fees and other costs paid by clients.

Both the Investment Counsel Association of America, New York, and the Investment Company Institute, Washington, plan to seek further guidance on, and possible alteration of, the SEC staff's position.

The staff's views were promulgated in a no-action letter sent to Clover Capital Management Inc., Pittsford, N.Y., at the end of 1986.

In an important policy switch, the division of investment management staff said it no longer would take the position that the use of a model portfolio or actual results in an advertisement is necessarily fraudulent.

In approving Clover's use of model portfolio returns, the staff took the opportunity to give broader guidance on performance measurement because "of the significant degree of interest in this issue." The SEC had promised to give such guidance since early 1986.

The letter said performance figures used in advertisements, including such items as marketing brochures and possibly data sent to consultants, would be prohibited if, among other things, they include "model or actual results that do not reflect the deduction of advisory fees, brokerage or other commissions, and any other expenses that a client would have paid or actually paid."

An SEC official, who asked not to be identified, said the staff may recommend formal changes to the advertising rule after a comprehensive review.

While agreeing with most of the letter's content, executives of investment management organizations took exception to the provision regarding management fees and other costs.

These executives contend performance data net of fees and other costs would not be meaningful because the fees vary not only among firms, but also frequently within a particular firm.

In addition, they said the other costs paid by the client, such as custodian fees, are not known by the adviser and are subject to negotiation.

"We think the key to proper presentation of performance is full disclosure of how the numbers are computed," said Keith J. Rudolf, legal counsel for Stein Roe & Farnham, Chicago, and chairman of the legal and regulatory committee of the ICAA.

"We are also seeking additional interpretive information because (the staff's decision) is contrary to the types of investment advisory performance numbers that have been shown historically," said Robert L. Bunnen Jr., assistant general counsel for the Investment Company Institute.

Mr. Rudolf said one possible solution would be to allow managers to continue presenting performance figures before fees as long as that fact is clearly disclosed.

Both Messrs. Rudolf and Bunnen declined further comment until their organizations' formal requests are filed with the SEC.

The SEC official said any proposals submitted to the SEC staff would be reviewed.

The official added, however, one of the staff's concerns is that exclusion of advisory fees from performance figures during an extended period of time would have a compounding effect during the later years. A footnote may not adequately cover that matter, he said.

If enforced, the SEC staff's position would alter dramatically the way managers present performance numbers; most don't include management fees and other costs in their performance data.

Ronald D. Peyton, president of Callan Associates Inc., San Francisco, noted 70% of the managers in his firm's universe present performance data before fees.

"It's a real hodgepodge and you always have to ask," he said.

Roger C. Bransford, partner in the Atlanta office of D.L. Eager Associates, Louisville, Ky., said for years he and other individuals have been calling for a self-policing effort by managers and consultants.

It was the pension community's inability to agree on a standard method of performance measurement that resulted in the SEC staff's position, he said.

"My attitude toward it is frankly, this is a chipping away of the freedom and flexibility that the investment managers have," he said, adding those days of flexibility are numbered.

"This in and of itself is significant but I think the greater significance may rest in the fact it may be a precursor for even tougher regulation that's coming down."

Despite its onerous implications, "In some ways it's also better to have a known out on the table so you can go ahead and deal with it," he said.

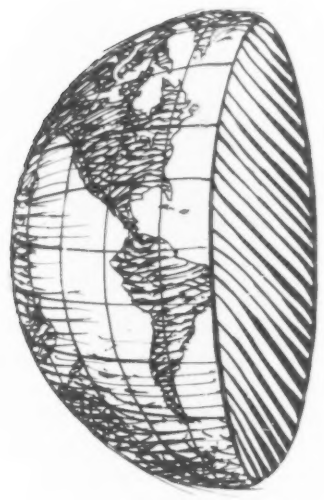
Other pension industry executives said while they appreciate what the SEC staff is trying to accomplish, they believe the issue is being addressed improperly.

Said a top executive at a large investment management firm, who asked not to be identified: "To us, nobody is confused because the plan sponsor who gets the results knows it's before fees and they know what the fees are."

He said his firm would comply with any SEC decision.

"This is the age-old problem in comparing performance results: What is it net of?" said James Knupp, principal of Ennis, Knupp & Associates Inc., a consulting firm in Chicago.

Mr. Knupp said he agreed management fees and other costs are an issue, but "it's trivial compared to the true quality of the basic underlying data." ■

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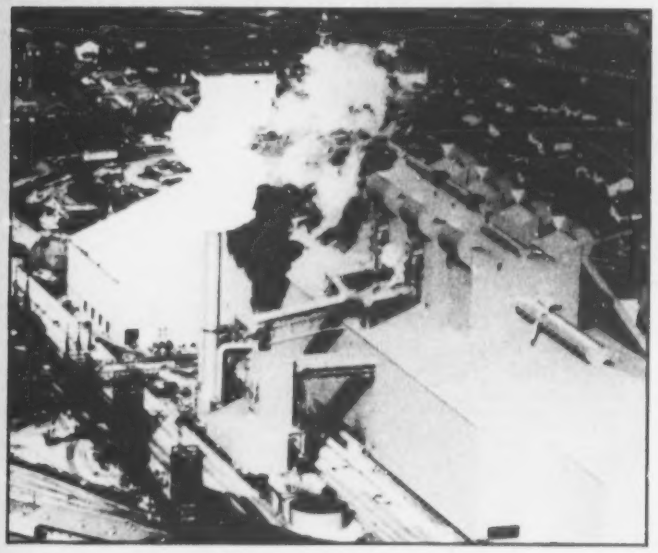
## Corrections & clarifications

• In her testimony before the Senate Finance Committee, Kathleen Utgoff, executive director of the **Pension Benefit Guaranty Corp.**, said the agency's proposed risk-related premium would not increase premiums for two-thirds of plans and almost 60% of participants in single-employer plans. Her testimony was reported incorrectly in the March 9 issue.

• **Aetna Life & Casualty** was inadvertently omitted from the March 9 list of top gainers in portfolio insurance business for 1986. Aetna would have placed first, with $12.3 billion.

• A March 9 Pensions & Investments' Performance Evaluation Report international article misidentified the parent company of **Provident Capital Management Inc.**, Philadelphia. It is Provident National Bank, Philadelphia.

# ESOPs



*Weirton Steel Co., which operates this plant in Weirton, W. Va., established an employee stock ownership plan in 1983 that experts now regard as a true success story.*

## Dan River, Weirton: A tale of two ESOPs

**By Fred Williams**

Dan River Inc. and Weirton Steel Co., both troubled companies in 1983, turned to employee stock ownership plans to put themselves back on even keels.

But while both companies survived and hundreds of jobs were preserved, only Weirton is regarded by industry observers as a true ESOP success story.

Employee benefit experts are troubled by several aspects of the Danville, Va.-based Dan River plan, among them the motivation of management in establishing it.

Controversy surrounded the formation in 1983 of leveraged ESOPs to buy the two companies from their previous owners so the companies could continue operating as they had before the buy-outs. The inception and evolution of these two ESOPs represent the poles between which other ESOPs fall.

The Weirton Steel, Weirton, W. Va., plan embodies all that traditional ESOP supporters believe is possible through employee ownership; the establishment of the Dan River plan is viewed by these same traditionalists as a financial maneuver — favoring entrenched management — to fight a hostile takeover attempt.

Weirton employees voted to purchase the steel unit from National Steel Corp. in fall 1983 for $194.2 million. Terms of the agreement, which was proposed by the employees, called for employees to take a 20% pay cut and became one of the important test cases for employee ownership on a large scale.

Dan River's ESOP was formed to acquire 70% of the company's stock as the culmination of a nine-month battle to ward off a hostile takeover attempt by Carl Icahn, who had acquired 30% of Dan River stock. The ESOP was proposed, and is controlled, by management.

The company terminated its defined benefit pension plan and used the $16 million surplus to make the first payment on a $150 million bank loan to purchase stock.

A look at the ESOPs now shows both have worked in the way they were intended, but are viewed much differently by employee benefit specialists.

Both companies operate in troubled industries. Both were only marginally profitable in 1983

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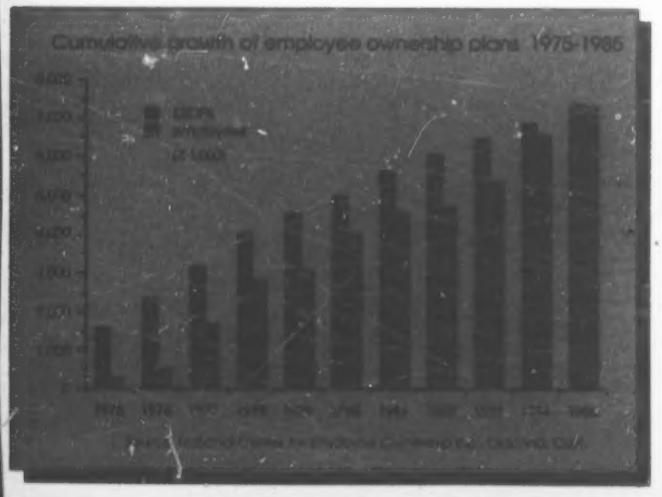


## Searching for a hero

### Long's successor facing tougher struggle

**By Richard Gillespie**

WASHINGTON — Advocates of employee stock ownership plans are seeking a new champion to carry on what likely will be a much tougher struggle to preserve ESOP legislation.

The retirement of Sen. Russell Long, D-La., the prime architect of ESOP laws, coincides with closer examination of the use of ESOPs by tax attorneys and Wall Street to snag advantages for corporations.

"ESOPs have been manipulated in so many ways that are harmful to their beneficiaries that if they do have a future, that is a mixed blessing," said Mike Gordon, a Washington pension attorney.

Said Marc Zimmerman, vice president at the ESOP Consulting Group, Washington: "Now that Russell Long is gone, people may start taking potshots at ESOPs, especially given the favorable tax situation they are in."

The Tax Reform Act, which includes ESOP provisions engineered by Sen. Long, was generally favorable to ESOPs. Repeal of the tax credit for contributions to payroll-based ESOPs was the only adverse change.

But in response to alleged manipulation of ESOPs, legislation and regulatory activity has been proposed. Among the proposals:

- The Reagan administration, through its competitiveness package, wants to eliminate ESOP-based floor-offset plans (in which benefits promised in a defined benefit plan are offset by a defined contribution plan) by reducing to 10% the amount of employer securities that can be held in such plans.
- In the Senate, Sen. Lloyd Bentsen, D-Texas, chairman of the Senate Finance Committee, has introduced a bill proposing curtailment of the provision that allows an estate to exclude from taxation 50% of the sale of the stock of an ESOP.

*The retirement of Sen. Russell Long, D-La., could mean tough times ahead for ESOPs.*

Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, and Rep. John J. Duncan, R-Tenn., ranking minority member on the committee, have launched an identical bill in the House.

- The Labor Department's ERISA Advisory Council, a panel of experts which advises the secretary of labor on employee benefits policy, recently set up a special ESOP working group, which will investigate the use of ESOPs in leveraged buy-outs.

The working group will hold public hearings the first week in April.

- ESOPs also will be affected by a new regulation the Labor Department plans to issue by summer regarding Section 318 — the adequate consideration rule — of the Employee Retirement Income Security Act.

ESOPs are exempt from the 10% restriction on investment in employer securities under the adequate consideration test contained in Section 318.

In addition, Roger Thomas, counsel to the House Select Committee on Aging, said there is concern among the staff on various committees regarding all ESOP-related provisions of the 1986 Tax Reform Act, and in particular over the 50% exclusion of estate sales to ESOPs and the exclusion from the 10% excise tax for surplus rollovers into ESOPs.

The Labor Department has other regulatory projects on its drawing board that also might affect ESOPs, said David Walker,

*Continued on page 20*

## *Plans are financing tools*

**By Brad Rudin**

Tax benefits, liquidity and the promise of improved productivity have combined to give employee stock ownership plans a secure foothold as a corporate finance technique.

Although recognized by the Employee Retirement Income Security Act as a tax-qualified retirement plan, ESOPs are typically not viewed as such.

"We feel very strongly that ESOPs are not pension plans," said Corey Rosen, executive director of the National Center for Employee Ownership, Oakland, Calif.

"ESOPs should not be confused with retirement plans," added Frank M. McArdle, education and communications director of the Employee Benefit Research Institute, Washington. "Having all your eggs in one basket is risky," he said.

Replacement of a defined benefit plan with an ESOP to aid a financially distressed company — as was the case with Raymond International, Houston — points up the risk because this kind of transaction leaves employees with shares in a troubled company.

Raymond terminated its defined benefit plan in 1983, using the $30 million reversion to help finance a $219 million leveraged buy-out of the company by the ESOP.

But an ESOP can also be used successfully to reduce corporate debt, improve employee morale and insulate a company from a hostile takeover.

This was the case with Ashland Oil Inc, Ashland, Ky. Ashland Oil earlier this month recaptured about $200 million in surplus pension assets.

"We believe this was the most efficient use of an ESOP," said William R. Seaton, Ashland's vice chairman.

The transaction gives the company $200 million that is exempt from income tax and the special excise tax on defined benefit plan reversions. Recognition of this

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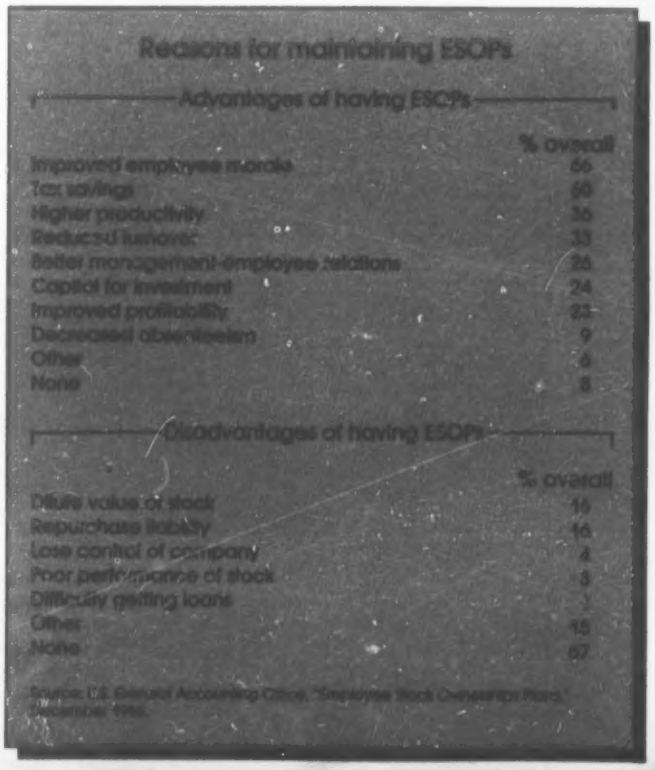

# Plans are tool . . .

*Continued from page 15*

gain will reduce the company's debt-to-equity ratio to 35% from 27%, Mr. Seaton said.

Ashland also regards the "very distinct and thorough feeling of company ownership" among employees as a major advantage, Mr. Seaton said.

Another plus, he said, is having 20% of the company's shares held by employees who might be more resistant to corporate raiders.

In April 1986, the energy company purchased 5.35 million newly issued shares of Ashland common stock to establish a $255 million ESOP that would form a floor-offset arrangement with the existing defined benefit plan.

Under floor-offset plans, if the value of a participant's account in a defined contribution plan fails to provide the minimum promised benefit, the defined benefit plan provides the balance.

Despite success stories like Ashland's, some concerns surround ESOP use, including stock repurchase liability, administrative costs, dilution of the value of existing stock and the prospect of employee interference with management.

Stock repurchase liability will emerge as the biggest ESOP issue of the 1990s, said Paul J. Much, a principal at the Los Angeles office of Houlihan, Lokey, Howard & Zukin, a valuation advisory firm. This liability arises because retirees have the right to put their shares back to the employer at current fair market value.

Independent appraisers are retained to set the price of shares issued by privately held companies, while the stock market price determines the liability of publicly owned companies.

Employers with ESOPs "have this time bomb (stock repurchase liability) ticking away that if they haven't planned for could force them into selling the company or force them into having to take the company public," Mr. Much said.

In addition, even the most ardent supporters of ESOPs acknowledge employee ownership is only a small part of the work force.

About 8,000 employers cover 8 million employees, approximately 7% of the work force, with benefits provided by ESOPs.

Interest in ESOPs has increased, in part, because of the benefits created by the Tax Reform Act of 1986, said Donald C. Weeden, a managing director at Morgan Stanley & Co., New York. "There are a lot more companies today looking at the use of ESOPs than there were two years ago."

ESOPs emerged from the Tax Reform Act of 1986 with most of the old tax advantages for corporations intact and some new ones added to the list.

Among the tax provisions having the most impact was the widening of the 3-year-old 50% exclusion on interest earned from loans to ESOPs by allowing the exclusion to apply to loans made to the employer if stock equal in value to the loan is transferred to the plan within 30 days.

The provision allowing lenders to exclude from their income 50% of the interest earned on ESOP loans has made employee ownership a more familiar concept to loan officers. "So now it's less likely that when a company goes to a bank and says, 'I want to do some ESOP financing,' that it gets met with a blank stare," said David Binns, executive director of The Employee Stock Ownership Association, a Washington research and lobbying group.

By granting the exclusion, Congress enabled lenders to provide below-market rate loans to ESOPs and the sponsoring employer.

"We're seeing a lot of activity, especially in the ability to use excess pension assets in an ESOP," said William E. Mattingly, a partner in the Chicago law firm of Katten, Muchin, Zavis, Pearl, Greenberger & Galler.

Tax-free transfers of surplus pension plan assets to an ESOP can improve cash flow if that money is used to reduce payments to a defined contribution plan, he said.

Interest in employee stock ownership also is sustained by the tax code's favorable treatment of leveraged ESOPs.

In a leveraged ESOP, borrowed funds are used to buy employer stock for the trust. In a nonleveraged ESOP, the employer uses its own funds to purchase the stock.

Shares acquired by a leveraged ESOP are held in a suspense account, which may be used as collateral for the loan. Shares are allocated to plan participants as the loan is paid off.



*Corey Rosen's organization feels ESOPs cannot be regarded as pension plans.*

*David Binns of the Employee Stock Ownership Association says banks know about ESOPs.*

The employer's cost of borrowing is reduced in a leveraged ESOP, which accounts for about a third of employee ownership plans, because the funds used to repay the debt are deductible from pre-tax corporate income.

The 15% contribution limit for profit-sharing and stock bonus plans doesn't apply to leveraged ESOPs, which are allowed to make tax-deductible contributions of up to 25% of the covered payroll to make principal repayments. All contributions for interest payment are tax deductible.

In nonleveraged ESOPs, employers benefit because their stock contributions are tax deductible up to 25% of the covered payroll although no cash payments are made. As a result, after-tax cash flow can increase.

ESOPs also are considered a valuable corporate finance tool because of their role in leveraged buy-outs.

But Department of Labor concerns about the equity proposed to be allocated to the ESOP of Scott & Fetzer Co., Westlake, Ohio, have put a cloud over ESOPs in leveraged buy-outs.

Under the terms of the proposed Scott & Fetzer buy-out, the ESOP would have received a 41% equity stake in the company even though its $182 million tax-sheltered loan represented more than the cash invested by other investors.

Although the Labor Depart-

*Continued on page 20*

## ESOPs with 66% or more employee ownership*

| Company | Number of employees | % owned |
|---|---|---|
| Publix Supermarkets | 31,000 | 100 |
| Weirton Steel | 8,200 | 100 |
| Parsons Corp. | 7,000 | 100 |
| Lifetouch | 4,000 | 100 |
| Davey Tree Expert | 3,200 | 100 |
| American Cast Iron Pipe | 3,100 | 100 |
| OTASCO | 2,600 | 100 |
| Federal Hoffman | 2,500 | 100 |
| CH2M Hill Inc. | 2,300 | 100 |
| Okonite Co. | 1,800 | 100 |
| Bureau of National Affairs | 1,500 | 100 |
| Katz Communications | 1,500 | 100 |
| North American Rayon | 1,300 | 100 |
| Denver Yellow Cab | 1,200 | 100 |
| TDI Industries | 1,200 | 100 |
| Amsted | 6,900 | 98 |
| W.L. Gore & Associates | 3,000 | 95 |
| Halmode Apparel | 1,200 | 89 |
| Science Applications | 6,000 | 85 |
| Thomson-McKinnon | 4,130 | 76 |
| Avondale Industries | 10,000 | 70 |
| Dan River Co. | 6,500 | 70 |
| Alco-Gravure | 1,200 | 70 |
| STV Engineers | 1,200 | 65-70 |

* As of June 1986
Source: National Center for Employee Ownership, Oakland, Calif.


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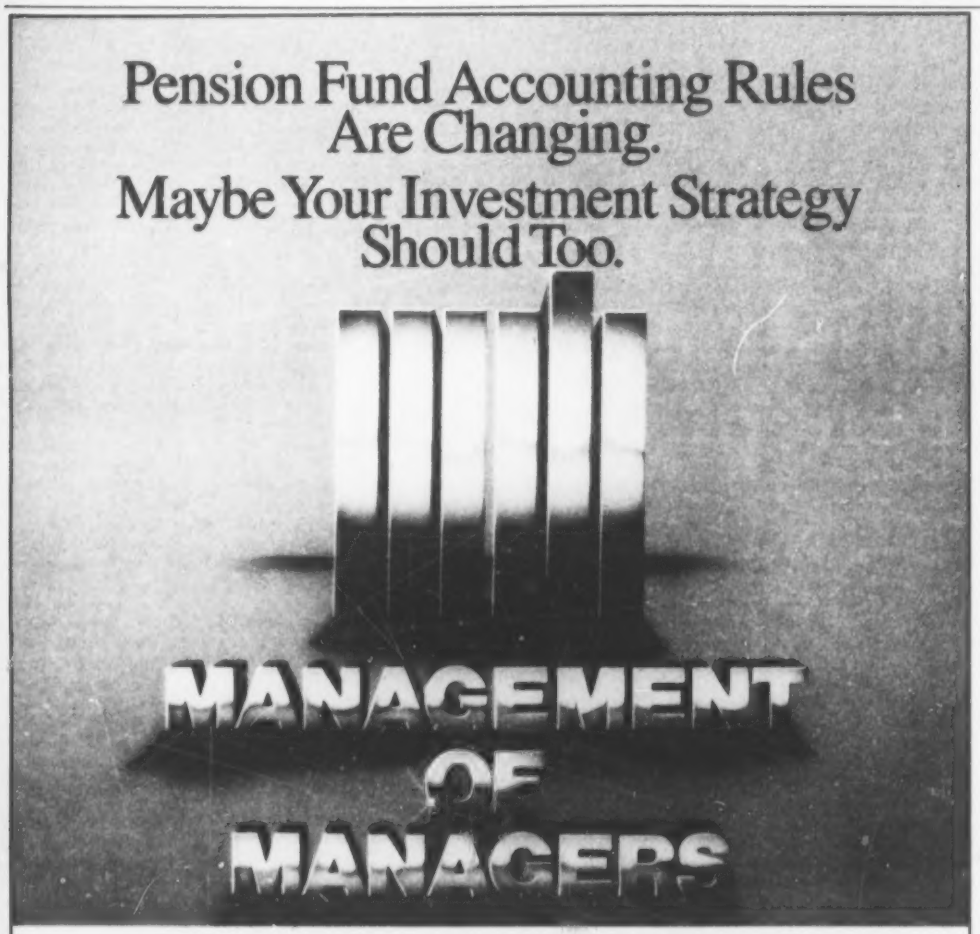


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# Search for hero . . .

*Continued from page 15*

deputy assistant secretary of the Department of Labor, such as pass-through voting rights, corporate governance and takeover matters.

Mr. Thomas said pass-through voting "gets back to who owns the corporation, to what extent participants own the corporation through their holdings in ESOP arrangements."

"With a leveraged buy-out, the bank advancing the funds may hold a substantial interest in voting those shares until the loan amounts are paid off, so employees only get a graduated ownership based on the repayment of those amounts."

Regarding takeovers, he said, "ESOPs have been used offensively and defensively." For example, at Bluebell Inc., Greensboro, N.C., various classes of stock were issued to management and participants, with fewer voting rights issued to participants.

"Under the terms," said Mr. Thomas, "Bluebell's management would have profited handsomely from appreciation of the stock or its sale, or more so than the rank-and-file.

At Harper & Row Publishers Inc., New York, he said, "the company purchased the shares from a principal stockholder and placed them in an ESOP, effectively for the purpose of taking them out of the open market so they would not be available to a potential takeover candidate."

Rep. William Clay, D-Mo., chairman of the Labor-Management Relations Subcommittee of the House Education and Labor Committee, recently expressed concern that ESOPs are "sometimes put together in ways that are harmful to their members' interests," a subcommittee spokesman said.

"Frequently, it is the employees who come out on the short end. In some instances, they lose whatever pension security they might have had," he said.

Although no clear lines have been drawn in the Senate, Sen. Bill Bradley, D-N.J., has called for a repeal of the estate tax provision in the Tax Reform Act.

In the House, Fortney H. "Pete" Stark, D-Calif., has been identified as an opponent of ESOPs.

The Employee Stock Ownership Association, Washington, a 1,000-member lobby group, referred in a recent newsletter to such opponents as an "ill wind blowing through the nation's capital."

On the other side are those willing to fill the shoes of Sen. Long. While there are many eligible candidates, none would compare himself to Sen. Long in either stature or commitment.

"You cannot minimize the loss of someone like Sen. Long. His influence was rare even among powerful senators," said David Binns, executive director of the Employee Stock Ownership Association.

"Having lost a champion of that magnitude it would be difficult to say we were in as good a position as in the past," he said.

Among the emerging leaders are:

- Sen. Spark M. Matsunaga, D-Hawaii, a member of the Senate Finance Committee who considers Sen. Long to be his mentor both philosophically and politically and who considers the ESOP legislation to be among Sen. Long's greatest achievements.
- Sen. Max Baucus, D-Mont., who sponsored the provision in the 1986 Tax Reform Act that enables companies to avoid payment on the 10% excise tax on asset reversions by rolling the surplus into an ESOP.

Sen. Long sponsored the other provisions.

- Sen. John D. Rockefeller IV, D-W. Va., who as governor of West Virginia introduced legislation to help make the buy-out of Weirton Steel possible — the largest employee-owned company in America and considered one of the most successful ESOPs.
- Sen. Bob Packwood, R-Ore., former chairman of the Senate Finance Committee, who called ESOPs the "bulwark of capitalism" during a debate on the 1986 Tax Reform Act.

Others, such as Sens. Paul Simon D-Ill., Jim Sasser D-Tenn., and Albert Gore Jr. D-Tenn., do not serve on the Senate Finance Committee but have still demonstrated their support to the idea of broadening employee ownership. On the House Ways and Means Committee, Reps. Beryl F. Anthony Jr., D-Ark., and Charles Rangel, D-N.Y., have been big ESOP supporters.

The ESOP constituency has grown to an estimated 8,000 plans covering 8 million workers in 1986 from about 1,600 plans covering 248,000 employees in 1975, according to statistics provided by the National Center for Employee Ownership, Oakland, Calif. The center also reported that in 1985, 550 firms adopted ESOPs and 800,000 employees became participants.

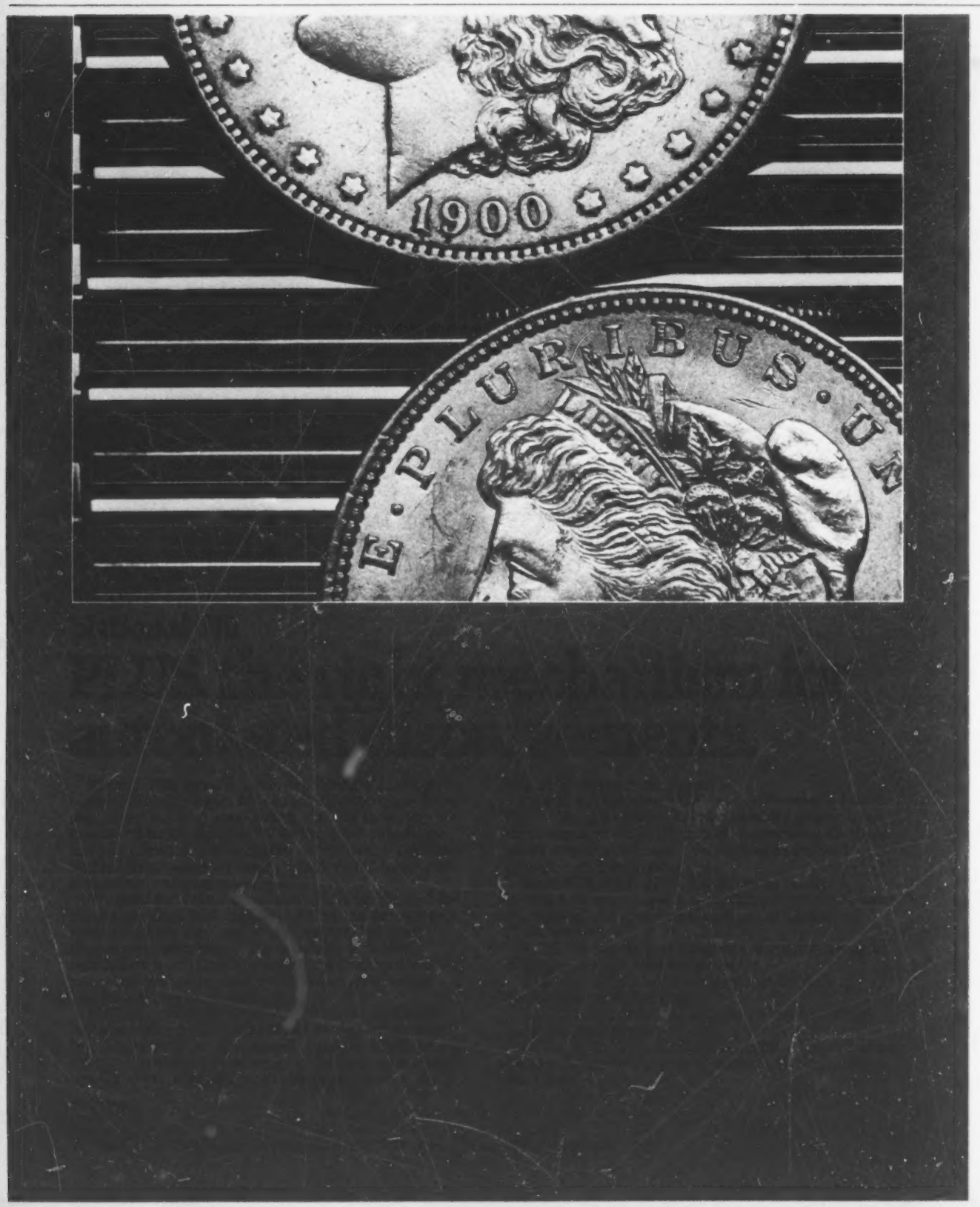
Mr. Zimmerman explained, "There was strong growth after the 1984 act (DEFRA), but the 1986 act really gave ESOPs a big boost, so you can expect that growth to continue and accelerate."

In other developments aiding the growth of ESOPs, Mr. Binns pointed to the increasing role of mid-size and regional banks in financing.

Sam Wessinger, communications director at the Employee Stock Ownership Association, explained: "Banks lost most of their opportunities for tax-free interest income with the 1986 Tax Reform Act. I don't know how aware banks are that ESOPs are all that is left when it comes to tax-free income."

Mr. Binns also said ESOPs, which were typically the mechanism by which privately held and small firms were passed along by their founders to employees, have drawn the interest of big business.

He cited the use of ESOPs by such companies as Ashland Oil Inc., Ashland, Ky.; Enron Corp. Inc., Houston; Unocal Corp., Los Angeles; Lowe's Cos. Inc., North Wilkesboro, N.C.; E-Systems Inc., Dallas; and MCI Communications Corp., Washington. ■




## Plans are . . .

*Continued from page 18*

ment eventually wrote a "no action letter" in the proposed Scott & Fetzer deal, the department's concerns still inhibit ESOP leveraged buy-outs.

The Labor Department is set to issue guidelines on equity allocation within six months.

At issue in the controversy over the role of ESOPs in leveraged buy-outs is whether the retirement plan gets enough equity stake for the note that it invests in the transaction.

ESOPs bring tax benefits to a leveraged buy-out, but the value of these deductions hinges on whether the new company becomes a taxpayer.

Tax breaks are overrated as a force driving employee stock ownership, said Mr. Rosen.

"What we've concluded is that what is going to drive ESOP growth or not drive it is the perception among management that it is a way to improve corporate performance," Mr. Rosen said. "If that doesn't take hold, ESOPs will always be a minor footnote." ■

# Cash Management

## Divide to conquer

### Splitting cash portfolios boosts returns

By Chuck Paustian

Some treasury executives are leading their corporate cash investment strategy out of the inertia of typical low-risk, short-term money market portfolios.

The idea, which doesn't depend on hiring outside money managers, is to divide corporate cash — typically handled as one lump portfolio — into different risk classes without jeopardizing operating capital.

Corporations can protect essential operating cash by keeping it in low-risk portfolios, while significantly boosting overall returns by investing the rest more aggressively.

John J. Murray, director-short-term investments and borrowing at Amoco Corp., Chicago, said company executives set aside a "very small percentage" of the overall portfolio of marketable securities for more aggressive investing.

"We have earned four times as much as we would have earned had we not set up this portfolio," he said.

Mr. Murray said recent returns weren't available, but noted the company's investment portfolio, which uses both longer-term and riskier instruments, has generated substantial returns. "By substantial I mean in some years, 40%, 30% and 20%," he said. Those returns were generated when money market instruments also were yielding much higher returns than they are today.

At the end of 1985, Amoco had a total of $834 million in marketable securities, including the aggressive portfolio.

A smaller company, Carl Karcher Enterprises, Anaheim, Calif., also segments its investible corporate cash, using four money managers to invest in preferred stocks.

"We've given guidelines as to how much, on a percentage basis, we can put into preferreds as opposed to (certificates of deposit) or overnight money," said Rick Roth, manager-cash planning at Carl Karcher. The company has about $50 million in cash and marketable securities.

Utilities, many of which have accumulated vast pools of cash, have started taking more aggressive approaches to their investments.

El Paso Electric Co., El Paso, Texas, is investing about $500 million in takeover arbitrage, leveraged dividend capture programs and other aggressive investments (*see related story at right*).

The Iowa-Illinois Gas and Electric Co., Davenport, Iowa, plans to set up an investment management subsidiary to run about $50 million in longer-term instruments, including leases. Iowa-Illinois has applied to the Illinois Commerce Commission for permission to start the subsidiary.

While money market rates hover around 5% and 6%, pretax returns in the upper teens can be obtained from less traditional investments such as preferred or common stocks.

Some financial service firms are preparing to provide the services to managers of corporate cash.

A research project conducted by Treasury Strategies Inc., Chicago, for Merrill Lynch Capital Markets, New York, found the 3,000 largest industrial companies had between $300 billion and $400 billion in short-term cash at the end of 1985, the latest available data.

"That's all investible, but some of it should only be overnight," said Anthony J. Carfang, a principal at Treasury Strategies. "We believe, of the $400 billion, about 10% should be turning over on a daily basis.

"Another $80 billion to $120 billion should fall into the short-term category, which is up to about six months. As much as $250 billion could go out longer than that," Mr. Carfang said.

Robert H. Arnold, director of corporate market strategy and development at Merrill Lynch, said although some companies segment cash positions to invest in riskier assets and more are hiring outside investment managers, the typical short-term approach is still the rule.

Because corporate cash represents the future of a company, cash managers generally prefer investments that offer little or no risk.

Typical corporate cash investments would include commercial paper, certificates of deposit, bankers acceptances and Treasury bills. While these instruments are fine for operating capital, cash managers tend to overuse them.

Mr. Arnold said he talked with executives of one company who had been investing several hundred million dollars in overnight repurchase agreements. But he believes cash managers are becoming more aware of the disadvantages of such programs.

"I think it's an appreciation that to get the kind of returns they're looking for, they have to broaden their perspectives in terms of the kinds of vehicles they're using and not treating their assets as a common pool," Mr. Arnold said.

He said treasury executives need to establish a link between their cash and overall corporate strategy to determine what portion of assets can be allocated to strategies aimed at boosting overall performance.

One way to maximize performance is to match the time horizons of the investment strategy to when the company will need that cash.

Investments with longer time horizons could offer similar quality and liquidity characteristics as more traditional cash investments, but carry higher returns because of the added interest rate risk.

Marvin Pember, senior vice president-finance at Oklahoma Healthcare Corp., Oklahoma City, said, because some of the corporate cash wasn't needed immediately to operate the hospital management company, that money was allocated to a long-term balanced strategy to be managed by Schaenen Wood & Associates Inc., New York.

"There's a restriction that (the assets) be 50% equity and 50% fixed income," said Mr. Pember, who declined to release the amount of assets given to Schaenen Wood.

"One of the major things we do when we get involved with a company is find out what their time horizon is," said Robert B. Maehr, director of mar-

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**Payden & Rygel index of short maturity assets***
**(for month ended Feb. 28)**

| | February 1987 | Quarter ended 12/31/86 | Year to date | 12 months ended 2/28/87 | Yield level monthly change* |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4744 | 1.2960 | 0.9908 | 6.4485 | −15 |
| Domestic CD | 0.4234 | 1.4062 | 1.0281 | 6.8640 | 21 |
| Euro $ CD | 0.4307 | 1.4733 | 0.9833 | 6.9542 | 25 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.5099 | 1.3173 | 1.0400 | 7.0048 | −13 |
| Domestic CD | 0.3519 | 1.3516 | 0.9541 | 7.1073 | 24 |
| Euro $ CD | 0.3624 | 1.4227 | 0.8816 | 7.1743 | 25 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.4813 | 1.3461 | 1.0067 | 7.8497 | −3 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.4500 | 1.6459 | 1.0275 | 9.4143 | 2 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.

Source: Payden & Rygel, Los Angeles

*State laws are forcing Maxicare, which operates HMOs such as this one, to segregate some cash management operations.*

## Banking costs rise for HMOs

By Barry B. Burr

Corporations operating health maintenance organizations are burdened with higher banking costs and lower investment returns because of state laws requiring HMOs to segregate some cash management operations.

State regulations generally call for the companies to provide collection and disbursement services or depositories for investment securities or some combination within the few states with the rules.

As a result, HMOs are having to decentralize cash management activities for certain states, so banking costs are higher than if they were consolidated among a few banks. Cash managers also complain that segregating cash management activities by state inhibits investment of idle cash, hurting returns.

"There is a movement toward total segregation of receipts, disbursements and investments" by each state in which HMOs operate, said Thomas Nannini, cash manager, Humana Inc., Louisville.

He said the rules are forcing the company "to segregate the whole cash flow process, from receipts to disbursements and investments — where the money's coming from, where it's going and how much cash you have."

A recently adopted rule in Georgia, for example, requires HMOs operating there to use an in-state bank for disbursements of claims paid to residents and collections of premiums paid by residents as well as holding securities of investments made with cash generated from the operations within the states.

As a result, Mr. Nannini said, Humana is using Citizens & Southern National Bank, Atlanta, for disbursements and collections for its Humana Health Plan Inc. unit.

In addition, Humana has to have separate lockboxes, as required by state regulation, in Florida and Nevada. In Florida, it also uses Citizens & Southern, which processes collections there. In Nevada, it uses First Interstate Bank, Las Vegas.

The states are the only ones of the 22 in which Humana operates HMOs with such regulations, Mr. Nannini said.

With its non-regulated HMOs, he said Humana uses Wachovia Bank & Trust Co., Winston-Salem, N.C., a unit of First Wachovia Corp., for disbursements, and a number of other banks for lockboxes.

Maxicare Health Plans Inc., a Los Angeles-based holding company that operates HMOs in about a dozen states, faces similar rules.

Jack Christensen, treasurer, said Maxicare recently opened separate disbursement accounts for its HMOs in Georgia

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# Pensions & Investment Age



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# Proxy battles heating up

## More chief executives join letter-writing campaign

**By Marcia Parker**

NEW YORK — The fight for pension fund proxy votes has heated up, with dozens of corporate chief executives writing letters asking their counterparts to use their influence with pension fund managers to support management's positions on shareholder resolutions, especially withdrawal of poison pills.

The letter-writing campaign appears effective: Some investment managers are refusing to support proxy resolutions to repeal management-supported proposals.

Among those who have written such letters are John Georges, chairman, and Paul O'Neill, president, of International Paper Co., and Charles Exley, chairman of NCR Corp.

Among other companies that have sent them are Anheuser-Busch Cos. Inc., St. Louis; American Airlines Inc., Fort Worth, Texas; Colgate-Palmolive Co., New York; and The Louisiana Land and Exploration Co., New Orleans.

The letter-writing campaign seems to have accelerated since shareholders approved the anti-takeover measures that Rockwell International Corp. Chairman Robert Anderson and GTE Corp. Chairman Theodore Brophy lobbied for in letters earlier this year (*Pensions & Investment Age*, March 9).

John Gavin, executive vice president D.F. King & Co., one of the biggest proxy solicitation firms in New York, who originated the GTE, Rockwell and NCR letters, said almost all of the firm's clients are using the letters.

"The letters do have a tendency to lose some of their effectiveness as another piece of paper coming across a CEO's desk. But they are sensitizing management to a problem and creating an awareness," he said.

*International Paper's John Georges has sought support in proxy votes.*

Don Carter, president of The Carter Organization, New York, a large proxy solicitation firm, said he has sent dozens of letters for clients and is working on at least three.

"These letters are losing their effectiveness and uniqueness," Mr. Carter said. "If you were a CEO and you got 225 personal letters from other CEOs, how effective would it be?"

William Poudrier, vice president at Morrow & Co., another New York proxy solicitation firm, said he is encouraging corporate clients to try the letter route.

Several attorneys and chief financial officers of large corporations also said they have seen or received such letters.

The New York law firm of Skadden, Arps, Slate, Meagher & Flom sent a lengthy memo to clients, laying out a detailed strategy for companies trying to combat shareholder rights plans.

The letters often are tailored to appeal to an individual chief executive officer's past experience with corporate governance issues.

The more recent letters also are more sophisticated than some of the early ones, conveying not only the chief executive's concerns about a given shareholder resolution, but also some suggested actions.

"Your company has a shareholder rights plan, and so you obviously understand the benefits of such plans to shareholders," said one letter sent by Mr. O'Neill of Inter-


*Continued on page 53*

*Dennis M. Kass*

# Kass leaves DOL after 18 months

**By Joel Chernoff**

WASHINGTON — Dennis M. Kass, head of the Department of Labor's pension unit, will leave the government in mid-May to return to the private sector after nearly 18 months on the job.

In an interview, Mr. Kass said he expects to return to the realm of financial and institutional services, most likely in New York.

Some observers believe the departure of Mr. Kass — who was a key architect of the administration's proposal on the funding of pension plans and serves as "point man" for the administration — may impede the progress of the funding proposal, which is being debated in Congress.

"His departure would come at an extremely critical juncture" in efforts to get passed the administration's funding proposal as well as a variable-rate premium for the Pension Benefit Guaranty Corp., observed Stuart Brahs, executive director of the Association of Private Pension and Welfare Plans, Washington.

But administration officials believe the proposal will not be harmed.

"I'm told that all folks — even ones who disagree with parts of the proposal — want it to be worked out this year," said William Maroni, the Labor Department's deputy undersecretary for congressional affairs.

Mr. Kass' departure, which had been rumored for weeks, came as no surprise, although several observers were disappointed at the news.

"I'm sorry to see him go. I think he's done a very good job over there," said John Erlenborn, former congressman and now partner in the law firm of Seyfarth, Shaw, Fairweather & Geraldson, Washington.

Attention immediately turned to David M. Walker, Mr. Kass' deputy, as the most likely successor, especially given the need for a knowledgeable player in the legislative process and the problems in recruiting personnel for the remainder of the Reagan presidency.

Mr. Walker said the appointment is up to the president and Labor Secre-


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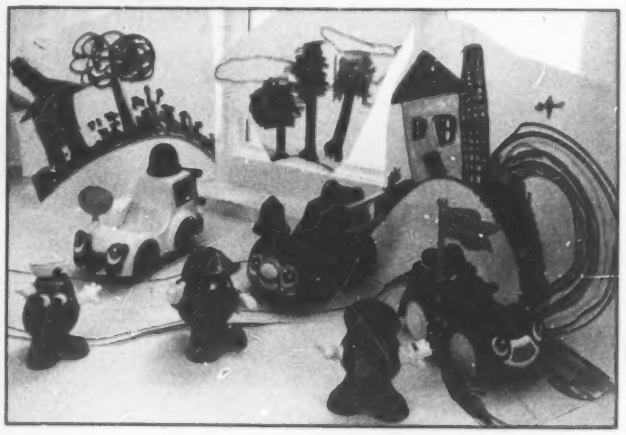


CORPORATE FINANCE: Hasbro Inc. is scoring high in the acquisitions game with names like Playskool and Milton Bradley. And by using cash or cash and stock offerings to finance its moves, the toy company is expanding while its long-term debt is shrinking — page 23.

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# Fund invests in CMOs it issued

**By Marcia Parker**

HARTFORD, Conn. — Acting as both investor and issuer, the $4.8 billion State of Connecticut Trust Funds has issued $252 million in collateralized mortgage obligations in mid-March, selling two of the three classes of bonds and keeping one for itself.

Public pension funds rarely act as both investor and issuer of mortgage-backed securities. Indeed, pension funds rarely issue those securities; they are generally investors only.

Investment bankers believe Connecticut is the first public pension fund to act as investor and issuer since two California funds began doing similar deals last year.

The $37.7 billion California Public Employees' Retirement System sold more than $1 billion in CMOs in four transactions, including a $250 million one last month. In each case, the state pension fund has retained a class of bonds for itself.

"We continue to do them because they are attractive. You can get a better price on the new security and you can reinvest the money in other parts of the securities market," said Walter Williams, principal investment officer for the employees' fund.

The $19.3 billion California State Teachers' Retirement System issued $400 million in CMOs in spring 1986 and did not keep any of the tranches for itself. Proceeds were invested in other investment vehicles.

The teachers' fund will consider doing additional CMOs now that "we've broken the ice," said Monty Lee, fixed-income portfolio manager.

Mortgage-backed security specialists at Salomon Brothers Inc., First Boston Corp., Shearson Lehman Brothers Inc. and Alex. Brown & Sons Inc., which handled the private placement CMO transaction for Connecticut, all said they are talking to other funds about doing similar deals. They declined to name the pension funds.

Investment officers of several public pension funds that invest heavily in mortgage-backed securities said they had considered or were considering the idea.

Officials of at least one fund have rejected the notion, though. Said David Bronner, chief executive officer of the $5.45 billion Retirement Systems of Alabama:

"Funds with heavy cash flows like ours, it just doesn't make sense. Generating more cash flow is nuts to me. Then I have a


*Continued on page 50*

# PRIT pumping cash into gas exploration

By Fred Williams

BOSTON — The $2 billion Massachusetts Pension Reserves Investment Trust is making its first oil and gas investment, pumping $7.875 million into a newly formed exploration program in the Texas-Louisiana Gulf Coast region.

It is unusual for a fund's first deal to be concentrated on exploration. Most pension funds invest in the less risky development of proven producing properties.

Sandra Whiston, deputy director-administration for the Pension Reserves Investment Management board, which oversees PRIT's investments, said the fund decided against investment in producing wells "because everyone is interested in producing wells . . . This is more of a long-term play. The returns on existing proven producing wells is probably below what we are going to receive from our investment."

The deal, recommended by the fund's consultant, Wilshire Associates, Santa Monica, Calif., is part of a $45 million private placement with Smith Offshore Exploration Co., Houston.

Harvard Management Co., Cambridge, Mass., through its affiliate Aeneas Venture Corp., also will invest $15 million to $20 million, said Michael Eisenson, partner. Harvard Management, with assets of $3.5 billion, is the investment affiliate of Harvard University.

Smith was formed this year to develop oil and gas reserves in the gulf region in partnership with Brooklyn Union Exploration Co. Inc., New York. Like other deals generating interest from pension investors, the three-year exploration program is aimed primarily at discovering and developing natural gas reserves, rather than crude oil, said Ms. Whiston.

Smith will finance exploration by issuing units, costing $1.125 million, equally consisting of convertible preferred stock and zero-coupon bonds due in 1993. The units will have an effective yield of 12.25%.

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*Robin Jacobson's skill at dog-sled racing impressed Steven Leuthold, whose company helped sponsor Mr. Jacobson in the Iditarod.*

# Leuthold goes to dogs

By Trudy Ring

MINNEAPOLIS — Institutional research strategist Steven Leuthold doesn't mind investing in a few dogs.

His company, The Leuthold Group, helped sponsor a team of canine competitors in Alaska's Iditarod, which he calls "the Super Bowl of sled-dog racing."

The team's driver, Robin Jacobson of Minnetonka, is a friend of Mr. Leuthold's son, Kurt. Mr. Jacobson impressed Mr. Leuthold with a victory last year in a dog-sled race from Duluth to the Canadian border. So when Mr. Jacobson needed sponsors for the Iditarod, The Leuthold Group stepped in.

Mr. Leuthold acknowledges having "a long-time love affair with Alaska." He said the company contributed somewhat less than $10,000 toward Mr. Jacobson's costs.

The firm didn't underwrite the whole effort; an Iditarod entrant's costs typically run around $20,000, including $5,000 to $7,000 for lamb, seal and other hearty meats to feed the dogs.

For his efforts, Mr. Jacobson received $6,000 — $3,000 for finishing 18th in a field of 62 and $3,000 for being "rookie of the year." He finished first among the 18 first-time entrants in the race, Mr. Leuthold said

The race, which began March 7, covers 1,250 miles from Anchorage to Nome, Alaska. "It's a long, drawn-out affair," Mr. Leuthold said.

It typically takes 10 to 12 days for the teams to finish. This year's winner, Susan Butcher, covered the course in 10½ days and received $50,000, Mr. Leuthold said.

Mr. Jacobson finished respectably, in 12 days. He was one of only three entrants from the lower 48 states; there also were some competitors from overseas, but most, like Ms. Butcher, were Alaskans, Mr. Leuthold said.

"I thought it was really neat that a kid from the lower 48 could get into this and do so well," he said.

The Leuthold Group will sponsor Mr. Jacobson again next year. Mr. Leuthold, who recently sold a 50% interest in The Leuthold Group to Weeden & Co., a New York brokerage firm, joked that the sponsorship costs were a major point of the negotiations.

The Leuthold Group didn't take a share of Mr. Jacobson's winnings, but received some publicity and good will.

"He has 'The Leuthold Group' painted all over his truck," Mr. Leuthold said, "but unfortunately, we don't have any clients in Alaska." ■

# CSX says pension data not worth mentioning

By Barry B. Burr

RICHMOND, Va. — At CSX Corp., a $663 million pension fund isn't material, at least so far as its financial statements are concerned.

CSX's 1986 annual report makes no mention of the pension assets, liabilities or costs. There isn't even a brief statement referring to pensions.

"I find it incredible," said Howard Hodges, chief accountant for the Securities and Exchange Commission's division of corporate finance.

"It's kind of puzzling," said Larry Brooke, project manager at the Financial Accounting Standards Board, Stamford, Conn.

"It's highly unusual and highly irregular," said Leonard M. Savoie, professor of accounting at the University of Notre Dame, Notre Dame, Ind.

"I think it's wrong. They are violating good reporting standards. I think a $700 million pension fund is material and ought to be disclosed," he added.

According to the controller and external auditor for CSX, a Richmond, Va., transportation and natural resources company, the pension information was omitted because they don't believe it is material.

SEC and other accounting experts said they can't recall a similar void in the annual report of a major company. None of those interviewed had been aware of CSX's omission.

"I'm not familiar with anyone that would leave it out," said Mr. Brooke.

He said FASB 87 states pension sponsors "shall" disclose the data. Even though he conceded FASB 87 is subject to CSX's determination of materiality, he said, "That's not the way we would interpret it."

Bruce G. Lawler, CSX's vice president and controller, said the company deliberately left out any mention of pensions. "It's solely based on the fact it's not a material number," he said.

"Our pension expense is not that significant, so for the last couple of years" the company hasn't had the customary footnote to its annual financial statements, showing pension assets and liabilities.

CSX's 1985 report devoted three sentences to pensions: "CSX and its subsidiaries have pension

*Continued on page 48*

*CSX Corp. left its pension data out of its 1986 annual report, claiming the figures were not a material part of the report.*

# 3 executives take new jobs

By Marlene Givant

Three more corporate pension executives have taken new jobs.

Jainel M. Buell, former manager-pension fund analysis at the more than $600 million Air Products & Chemicals Inc. employee benefit plan, Allentown, Pa., has joined the $2.7 billion Xerox Corp. retirement plan, Stamford, Conn., as manager-trust investments.

Michael Schonberg, head of equity investment and a member of the investment policy committee of the more than $11 billion E.I. du Pont de Nemours & Co. pension fund, Wilmington, Del., joined New York-based Chase Investors Management Corp. as managing director-large capitalization equities.

And Richard Cote, manager of banking for Beatrice Cos. Inc., Chicago, has assumed the additional position of director-pension investments for the company's $600 million pension plan, replacing Ingrid Sarapuu.

Mr. Cote said Ms. Sarapuu left the company, but he had no information on her new position.

Xerox hired Ms. Buell to replace Myra Drucker, who left to become director-trust investments of the more than $1.6 billion retirement fund of International Paper Co., New York. (*P&I Age*, Sept. 29.)

Ms. Buell joined Air Products & Chemicals more than seven years

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*Michael Schonberg moved from Du Pont to Chase Investors Management Corp.*

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# Managers still cautious despite market drop

By Frea Williams

Despite the recent stock market decline, equity managers generally say they would continue to invest new client accounts cautiously, viewing the dip as a minor correction, not the beginning of a bear market.

Many investment managers interviewed said the market's drop last week represented volatility; some called it a minor correction with potentially more to come. They said, however, it is a temporary phenomenon.

How quickly a new equity account of $20 million to $50 million would be put to work depends more on the style of the manager than the market's recent moves.

At one extreme is Robert Torray, president and chief investment officer at Robert Torray & Co., Bethesda, Md. Mr. Torray said he wouldn't put any money into the market now, investing instead in cash equivalents, primarily Treasury bills or money market instruments.

"In general, these markets are 'incredibly inflated, and I'm willing to wait for as long as it takes even though there are certain areas in which I may be interested."

As for the recent market decline, Charles Brooks, Torray's vice president, said, "We just don't find too many things we consider values in this market, and a small selloff doesn't produce the kind of values we have seen in the past."

At the other extreme is Bert Dohmen-Ramirez, founder and president of Wellington Financial Inc. and publisher of the Wellington Letter in Honolulu. He would become fully invested within 10 days.

Of the recent market drop, he said, "We expected a sharp decline to last only a few days with the downside target at 2,250 and then to go back up. Basically, what we had was a little 5% correction in two days. That's good for the market."

The approaches of other managers fall between the extremes.

● Prior to the market's decline, Marc Kelly, vice president at Argus Investment Management, Newport Beach, Calif., said he would "work (new money) in very cau-

Continued on page 52

# N.J. plan continues divesting

By Trudy Ring

TRENTON, N.J. — The New Jersey Division of Investment cut its South Africa-related holdings by more than half in the last six months of 1986.

As of Dec. 31, the division had $1.37 billion in these securities, down from $2.84 billion six months earlier, according to its semiannual divestiture report to the Legislature.

The division has been reducing these holdings since August 1985, when the Legislature passed a law requiring divestiture of all securities in companies operating in South Africa. New Jersey started with $4.2 billion in these securities; the law allowed three years to complete the sales.

*Roland M. Machold said the list of securities targeted for divestment by New Jersey may grow.*

The latest report reiterated the conclusions of a previous one — the divestiture program has reduced the diversification and quality of equity holdings and produced additional transaction costs (*Pensions & Investment Age*, Nov. 10). However, it also said

Continued on page 51

# 2 funds call for meeting

## Royal Dutch's S. African business questioned

By Trudy Ring

Two large tax-exempt funds have called for a special shareholders' meeting concerning Royal Dutch Petroleum Co.'s South African operations.

The $11.7 billion New York City Teachers' Retirement System and the $825 million Ministers and Missionaries Benefit Board of the American Baptist Churches issued the call March 31, apparently the first time shareholders of any company have requested a special meeting on South Africa.

Royal Dutch, based in The Hague, The Netherlands, refused to include on its annual meeting's agenda shareholder resolutions calling for it to leave South Africa. It operates there through a subsidiary, Shell South Africa. The annual meeting is scheduled May 14.

Royal Dutch is not subject to U.S. laws requiring these resolutions to be put to votes at the meeting. However, Netherlands law allows shareholders to force a special meeting to vote on a given topic, if holders of 10% of the shares sign a petition requesting such a meeting, said Gordon Smith, treasurer of the American Baptist benefit board, New York. In the case of Royal Dutch, this amounts to about 27 million shares.

Mr. Smith and Harrison J. Goldin, New York City comptroller and a trustee of the teachers' fund, said their call for the meeting already has pledges of support from holders of 4.8 million shares.

The teachers' fund holds about 162,000 shares, said Steven Matthews, assistant comptroller-public affairs. Other New York City funds, which are supporting the move, hold 496,000 shares, he said.

The American Baptist benefit board holds 40,000 shares, Mr. Smith said.

Other shareholders that have pledged their support are the $19.3 billion California State Teachers' Retirement System, Sacramento; the $1.75 billion Board of Pensions of the Presbyterian Church (U.S.A.), Philadelphia; and several smaller religious organizations, Mr. Matthews said.

Messrs. Goldin and Smith said they are contacting other institutional shareholders.

Royal Dutch Petroleum owns 60% of Shell South Africa; the remainder is owned by Shell Transport & Trading Co. PLC, London.

Continued on page 50

# New issues rise 29%; Salomon maintains lead

By Marci Baker

NEW YORK — First-quarter 1987 domestic new issues volume climbed 29% from the first quarter 1986, with Salomon Brothers Inc. leading underwriters with 15.1% of the total volume.

According to IDD Information Services Inc., New York, issuers raised $87.7 billion domestically during the first three months of the year compared with $68 billion during the first quarter last year, showing U.S. corporations took advantage of rising stock prices and lower interest rates to raise additional capital.

Of the total, $71.8 billion was in debt issues and $15.9 billion was in equity issues.

Salomon Brothers acted as lead manager on 99 deals totaling $13.3 billion. Although the firm continues to lead competitors in the overall league tables, its dominance has been eroding. Its 15.2% market share was less than one percentage point better than the 14.5% garnered by First Boston Corp., which ranked second as lead manager on 83 deals totaling $12.7 billion.

For the first quarter of 1986, Salomon held 24.3% of total domestic underwriting volume, while runner up First Boston captured 15.7% of the market.

Merrill Lynch Capital Markets placed third in the overall rankings during the first quarter this year, managing $11.2 billion, or 12.8% of the total. Following Merrill Lynch were Goldman, Sachs & Co., with $9.3 billion or 10.6% of the total, Morgan Stanley & Co., with $8.5 billion, 9.7%, and Drexel Burnham Lambert Inc., with $7.1 billion, 8.1%.

Much of the increase in overall domestic volume came in the mortgage-backed securities arena, where 1987's first-quarter volume climbed to $31.1 billion from $10.6 billion in the first quarter of 1986.

The jump in mortgage securities offerings stemmed largely from the popularity of a new type of security — the CMO floater.

The floating-rate securities, which generally represent the shortest-term tranche of otherwise fixed-rate collateralized mortgage obligation transactions, have offered cheaper financing and reduced equity volatility to mortgage-backed issuers and high-quality, more lucrative investments to commercial banks and other floating-rate investors (*Pensions & Investment Age*, Feb. 23).

Continued on page 54

### Total underwritten offerings*
(Jan. 1 - March 31)

| Firm | $ mils. | No. of issues |
|---|---|---|
| Salomon Brothers | 13,255.4 | 99 |
| First Boston | 12,635.8 | 83 |
| Merrill Lynch Capital Markets | 11,180.9 | 96 |
| Goldman, Sachs | 9,285.4 | 72 |
| Morgan Stanley | 8,457.4 | 93 |
| Drexel Burnham Lambert | 7,139.6 | 56 |
| Shearson Lehman Brothers | 5,934.3 | 72 |
| Kidder Peabody | 4,174.2 | 41 |
| Bear, Stearns | 2,286.7 | 22 |
| Smith Barney | 2,165.5 | 18 |

### Total debt offerings*
(Jan. 1 - March 31)

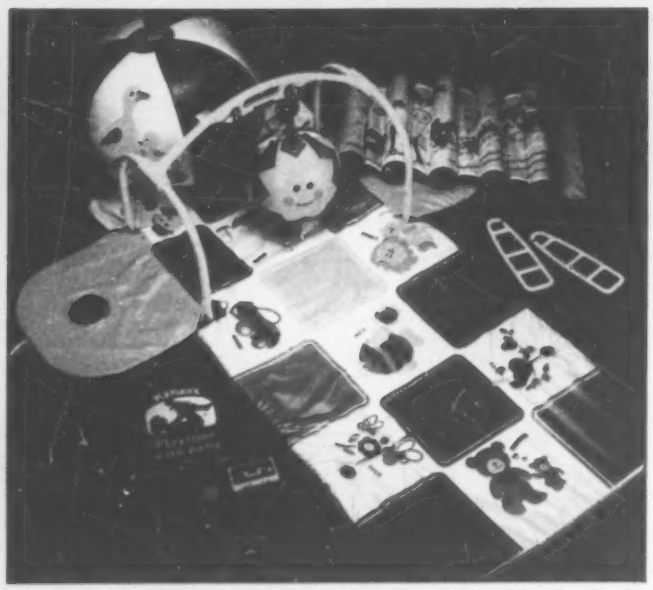
| Firm | $ mils. | No. of issues |
|---|---|---|
| Salomon Brothers | 12,829.4 | 91 |
| First Boston | 11,920.4 | 73 |
| Merrill Lynch Capital Markets | 8,529 | 70 |
| Morgan Stanley | 7,417.2 | 82 |
| Goldman, Sachs | 7,154.5 | 59 |
| Drexel Burnham Lambert | 5,491.6 | 40 |
| Shearson Lehman Brothers | 4,588.2 | 53 |
| Kidder Peabody | 3,601.8 | 36 |
| Smith Barney | 1,779.2 | 13 |
| Bear, Stearns | 1,769.2 | 16 |

### Total equity offerings*
(Jan. 1 - March 31)

| Firm | $ mils. | No. of issues |
|---|---|---|
| Merrill Lynch Capital Markets | 2,651.9 | 26 |
| Goldman, Sachs | 2,130.9 | 13 |
| Drexel Burnham Lambert | 1,648 | 16 |
| Shearson Lehman Brothers | 1,346 | 19 |
| Wheat, First Securities | 1,100 | 1 |
| Morgan Stanley | 1,040.2 | 11 |
| First Boston | 795.4 | 11 |
| Kidder Peabody | 572.5 | 5 |
| Bear, Stearns | 517.5 | 6 |
| Oppenheimer | 507 | 4 |

* Full credit given to lead manager
Source: IDD Information Services Inc., New York

# Corporate Finance



*Hasbro's 1984 acquisition of Milton Bradley and its Playskool subsidiary boosted the company's prospects for potential sales volume.*

## Hasbro using cash, stocks to be winner in acquisition game

**By Marci Baker**

At a time when corporations are piling up debt to restructure through acquisitions, Hasbro Inc. has maintained a clean balance sheet while pursuing the same objective.

Hasbro, based in Pawtucket, R.I., eschewed the debt markets for its acquisitions, relying instead on cash or cash and stock offerings to finance them.

For example, Hasbro acquired the Milton Bradley Co. for half cash and half a combination of common stock and convertible preference stock, which carries more seniority than preferred stock. The company also acquired the Knickerbocker Toy Co. from Warner Communications Inc. for a mixture of cash, stock and warrants that gave Warner a 14% stake in Hasbro with an option to purchase another 5%.

While the company has been expanding, its long-term debt has been shrinking. At $186 million in 1985, Hasbro's debt to total capitalization stood at 44.5%. Last year, that percentage fell to 21.5%, or $125 million, aided in part when the company called $60 million of senior convertible debentures.

Meanwhile, the company continues to be flush with cash, although capital expenditures reduced its cash position in 1986 to $116 million from $185 million.

The company's clean balance sheet should be a plus this year, when toy industry growth isn't expected to be strong.

Also, Hasbro's resistance to the trend toward greater leverage reflects its ability to resist the herd instinct, which it has demonstrated in the toy business.

Hasbro was being called "has been" by competitors and industry analysts when it failed to follow other toy manufacturers into the short-lived video game craze.

"After taking a look at it we decided we didn't want to be in the video game business. We saw no real product differentiation," said Robert Hubbell, vice president-finance.

Instead, the company concentrated on improving traditional products, such as G.I. Joe, and expanding through acquisition.

The result, analysts say, is a much more diversified industry leader in terms of both business and finances.

"This isn't a company that's been an aggressive chaser of fads," said Walter Kirchberger, an analyst at PaineWebber Inc. "A lot of its products aren't trendy," he said. Mr. Potato Head, G.I. Joe and My Little Pony have developed into products which, through updating, have continued to be strong sellers.

Despite such longevity, the company didn't want to rely on individual products so it moved to create greater diversification and balance through acquisition.

Hasbro set out to "diversify our portfolio much like that of a portfolio manager diversifies his investment portfolio," Mr. Hubbell said.

As a result, the company has become an international firm with a broad range of products, including toys, infant care and learning products and games and puzzles.

With the 1983 acquisitions of Glenco Infant Items and Knickerbocker, Hasbro added infant care items such as Tommie Tippie cups, plush products and stuffed dolls to its lines.

The 1984 acquisition of Milton Bradley and its Playskool subsidiary pushed the company into the forefront of the toy business in terms of potential sales volume.

The deal put Hasbro into the resurging games and puzzles arena and provided a ready-made foothold in Europe through Milton Bradley's operations overseas. Playskool, meanwhile, added greater depth to Hasbro's preschool and infant toys and ac-

*Continued on page 25*

## New Zealand tapped for debt market deals

**By Brad Rudin**

Several U.S. corporations in recent weeks have taken advantage of the steepening inverted yield curve in New Zealand by selling short-term New Zealand dollar-denominated debt that offers high yields to investors and reduced borrowing costs to the issuer.

Treasurers at Sara Lee Corp., Chicago; Emerson Electric Co., St. Louis; Dow Chemical Co., Midland, Mich.; Exxon Capital Corp., New York; Merrill Lynch & Co., New York; and other corporations kept investment bankers busy on an arbitrage based on the difference in interest rates in New Zealand and the United States.

The New Zealand government's tight money policy has boosted short-term rates to more than 25%.

U.S. corporations issued $726.8 million (U.S.) in New Zealand dollar-denominated debt during the first 10 weeks of 1987, more than the $518.7 million (U.S.) issued in all of 1986, according to IDD Information Services Inc., New York.

The rich rewards offered to investors explain the growth of the market, said J. Michael Payte, associate director at the interest rate and currency swap department at Bear, Stearns & Co., New York: "Yields are very high; it's that simple." Deals done in recent weeks have offered fixed-rate coupons in a range between 18% and 20%.

Tax planning by individual investors has created an additional appetite for New Zealand dollar-denominated debt issued by U.S. companies, also known as kiwi debt.

"We're coming into the height of the (individual retirement account) season," said Kenneth C. Marshall, a vice president at Prudential-Bache Capital Funding, New York. "That generates a tremendous amount of interest by investors who want to park their funds and get the maximum yield."

The recent upward movement of the New Zealand dollar exchange rate counts as another factor that encourages investor participation in these deals. Depreciation of the New Zealand dollar against the U.S. dollar erodes the returns of U.S. investors holding kiwi securities.

The New Zealand dollar, now worth about 56 cents (U.S.), would have to fall to 49.55 cents to reduce the return of a 19% one-year kiwi debt note to 6%, a break-even point based on short-term domestic rates, according to Andrew Gordon, an international market analyst at First Boston Corp., New York.

Because U.S. investors in kiwi debt trade credit risk for currency risk to get the high yields, the market has demanded issuers hold high credit ratings.

With conditions now right for kiwi deals, U.S. issuers have been eager to take advantage of the savings offered to them by investment bankers who ply these transactions.

"We have been shown these kinds of opportunities for the last 18 months or so . . . but the opportunity was very marginal in our view so we did not take advantage of them," said Howard W. Burdett, assistant treasurer at Dow.

"This was the lowest cost source of U.S. dollars that we had available at the time so we very quickly took advantage," Mr. Burdett said. The company saved between 60 and 65 basis points over alternative two-year financings, Mr. Burdett said. A 65-basis-point saving would reduce Dow's borrowing costs

*Continued on page 24*

## Private offers up

**By Marci Baker**

NEW YORK — Strong demand and a steady supply led to unprecedented volume in private placements last year, with Goldman, Sachs & Co. the leading agent of such deals.

According to IDD Information Services Inc., New York, overall private placement volume totaled $121.7 billion in 1986, up 67% from the $73 billion recorded in 1985.

Part of the volume stemmed from mergers and acquisitions: Merger-related private placements totaled $22.4 billion in 1986, vs. $2.1 billion in 1985.

In addition, activity intensified in the latter part of the year, as issuers used private placements to complete deals quickly before new tax laws took hold.

Institutions, meanwhile, kept demand strong as they sought investments for their hefty cash positions.

While insurance companies continued to be the dominant private placement investors, other foreign and domestic institutions, including public pension funds and endowments, increased their participation. Investment bankers said their stronger appetites have been whetted by the leveraged buy-out boom.

With equal credit going to each manager of a private deal, Goldman managed $18.6 billion in 224 transactions, for a 15.3% share of the market.

*Continued on page 24*

### 1986 private placements

15 largest managers*

**Overall**

| Manager | Amount ($ mils.) | Market share % | No. of issues |
|---|---|---|---|
| Goldman, Sachs | 18,623.2 | 15.3 | 224 |
| Drexel Burnham Lambert | 14,740.2 | 12.1 | 214 |
| Salomon Brothers | 14,560.4 | 12 | 323 |
| First Boston | 14,180.4 | 11.7 | 185 |
| Merrill Lynch | 9,411.2 | 7.7 | 146 |
| Shearson Lehman Brothers | 7,139.4 | 5.9 | 207 |
| Citicorp | 6,695.8 | 5.5 | 159 |
| PaineWebber | 5,977.3 | 4.9 | 204 |
| Morgan Guaranty | 4,402.4 | 3.6 | 64 |
| Bankers Trust | 4,311 | 3.5 | 160 |
| Morgan Stanley | 3,539.4 | 2.9 | 85 |
| Prudential-Bache | 2,765.2 | 2.3 | 94 |
| FNB Chicago | 2,753.6 | 2.3 | 101 |
| Chase | 2,548.8 | 2.1 | 98 |
| Kidder Peabody | 2,446.6 | 2 | 112 |

**Traditional debt**

| | | | |
|---|---|---|---|
| Salomon Brothers | 7,900 | 15 | 101 |
| Goldman, Sachs | 7,347.9 | 13.9 | 77 |
| First Boston | 4,755.9 | 9 | 65 |
| Merrill Lynch | 4,436.4 | 8.4 | 85 |
| Morgan Guaranty | 3,352.9 | 6.4 | 42 |
| PaineWebber | 2,998.2 | 5.7 | 107 |
| Bankers Trust | 2,823 | 5.4 | 106 |
| Citicorp | 2,810.6 | 5.3 | 52 |
| FNB Chicago | 2,548.9 | 4.8 | 87 |
| Drexel Burnham Lambert | 2,326.2 | 4.4 | 30 |
| Shearson Lehman Brothers | 1,775.5 | 3.4 | 52 |
| Bank of America | 1,529.7 | 2.9 | 19 |
| Morgan Stanley | 1,295.3 | 2.5 | 27 |
| Kidder Peabody | 1,238 | 2.3 | 68 |
| Prudential-Bache | 1,221.4 | 2.3 | 42 |

* Equal credit to each manager

Source: IDD Information Services Inc., New York

# Debt deals . . .

*Continued from page 23*

$750,000, he said.

Dow's floating rate $56 million (U.S.) two-year issue, lead managed by Bear, Stearns, is expected to provide a 22.8% coupon based on the recent 90-day New Zealand bank bill rate of 26.2%. The issue was priced at par.

The notes offer a minimum 17% coupon, according to a Bear, Stearns official. Investors who buy the notes will be getting a 16-percentage-point spread over comparable U.S. dollar-denominated securities if the mid-March New Zealand bank bill rate continues.

In the Dow transaction, which involved both a currency and interest rate swap, the company issued two-year floating rate notes to raise $56 million (U.S.). Dow's floating rate notes were based on the 90-day New Zealand bank bill rate less 340 basis points.

However, Dow then swapped the floating New Zealand dollar-denominated coupon payments for fixed-rate U.S. dollar-denominated payments with an intermediary bank.

The fixed-rate payments were set at the two-year U.S. Treasury yield less 15 basis points.

In the currency swap, the bank exchanged payments based on the London interbank offered rate with another New Zealand counterparty for the floating-rate New Zealand dollar-coupon payments.

In the interest rate swap, the intermediary bank exchanged the fixed-rate payments it received from Dow with the interest rate-swap counterparty for six-month U.S. dollar-denominated floating-rate payments based on the London interbank offered rate. The arbitrage is based on the New Zealand counterparty's willingness to pay out a New Zealand floating rate that is higher than the coupon paid by the issuer.

In another kiwi offering lead managed by Bear, Stearns last month, Sara Lee issued 19% New Zealand-dollar notes, priced at par, due March 7, 1988. The face value of the offering was about $56 million (U.S.).

The transaction for Sara Lee created a floating rate liability based on A1-P1 commercial paper that was exchanged for fixed-rate New Zealand funding to match the liability created by the debt issue.

"It was an attractive opportunity and we decided to go ahead on that basis," said Mary Ellen Johnson, Sara Lee's treasurer. She declined to specify how many basis points the company saved by issuing kiwi debt.

Kiwi debt also provided an opportunity for Emerson Electric Co., which issued about $56 million (U.S.) last month. The two-year notes, which were priced at par, carry a coupon of 18.55%.

A currency and interest rate swap gave Emerson the chance to obtain floating-rate funding at a rate that will result in a "significant cost saving over the next couple of years," said Robert M. Cox, treasurer.

The transaction, structured by Prudential-Bache Capital Funding, creates an interest rate swap in which Emerson assumes a floating-rate obligation below standard commercial paper rates in exchange for the 18.55% coupon from Prudential Global Funding, a principal in the swap transaction. That is the coupon needed to pay the bondholders.

"The investor in the U.S. earns a high rate, the counterparty in New Zealand pays a relatively lower rate, and between those two you have an arbitrage and it's Emerson that has the advantage of that arbitrage," said Prudential's Mr. Marshall.

*Howard W. Burdett, assistant treasurer, says the low cost of kiwi debt attracted Dow.*

*Mary Ellen Johnson, Sara Lee treasurer, says kiwi debt was an attractive opportunity.*

Other kiwi deals done in March included a transaction for Exxon Capital Corp. The notes, priced at par and carrying an 18% coupon, created a $140 million (U.S.) liability for the company in a transaction lead managed by First Boston Corp.

Merrill Lynch & Co., New York, in a deal managed by Merrill Lynch Capital Markets, sold about $42 million (U.S.) in a one-year debt issue that carried a 20% coupon.

# Offers . . .

*Continued from page 23*

Drexel Burnham Lambert Inc. managed $14.7 billion in 214 deals for a 12.1% share of the overall market, a reflection of its strength in acquisitions and in the placement of securities with public registration rights.

Following Drexel, with a 12% market share, was Salomon Brothers Inc., which managed $14.6 billion in 323 private deals.

First Boston Corp. was fourth, with $14.2 billion or 11.7% of the overall volume, while Merrill Lynch Capital Markets followed with $9.4 billion or 7.7%.

Less traditional private placement transactions — including acquisition-related deals, mortgage-backed transactions and those with rights to register securities publicly down the road — fueled the bulk of the increase in 1986 volume.

Traditional private placement volume remained flat for the year. Some $52.7 billion in straight debt deals was completed in the private market in 1986, compared with $53 billion in 1985.

The intense merger environment made its mark in the market, where $22.4 billion was privately placed with investors. In 1985, IDD reported acquisition-related volume as $2.6 billion.

Deals with registration rights, meanwhile, climbed to $12.4 billion last year, up from $5.9 billion recorded in the previous year.

Drexel managed $6.4 billion in 90 acquisition private transactions for a 28.5% market share.

The firm — clearly the most aggressive in the use of deals with public registration rights — was credited with 94.6% of this category's volume. It completed 165 private transactions with registration rights totaling $11.7 billion.

Goldman completed one such deal totaling $400 million. Goldman was a close second for acquisition-related private placements, managing $6 billion in 18 acquisition-related transactions for 26.4% of that market. First Boston Corp. was third with $3.1 billion or 13.9%.

Fourth and fifth in acquisition-related deals were PaineWebber and Prudential—Bache Securities, which held 7.9% and 6% market shares, respectively.

Volume for lease-related private placements was flat, with IDD recording about $11.5 billion in 1985 and 1986 in that category.

Goldman ranked first, managing $2.4 billion in 38 deals for 20.8% of the market. The firm was followed by Salomon Brothers, with 17% of the market; Merrill Lynch, 12.5%; and First Boston, 8.6%.

Salomon Brothers and First Boston led agents for mortgage-related private placements. Private placement volume in mortgage-related debt totaled $13.3 billion, up from $8.1 billion in 1985.

Salomon, which was credited with $3.3 billion in 157 transactions, was agent on almost 25% of that. First Boston managed $2.5 billion in 24 deals for 18.5% of the total.

Two commercial banks were third and fourth. Citicorp was credited with $2.2 billion and 70 transactions in the mortgage category, giving the firm a 17% slice of that area. Chase Manhattan Bank ended the year with 39 mortgage-related private placements totaling $1.4 billion, or 10.5%.

Commercial banks had a strong showing in the overall and traditional private placement rankings. Five of the top 15 spots in each of the two major categories were held by commercial banks last year.

Citicorp was seventh in the overall private placement rankings, with almost $7 billion in volume. Morgan Guaranty, Bankers Trust, First National Bank of Chicago and Chase Manhattan ranked ninth, 10th, 13th and 14th, respectively.

The showing was even stronger in the rankings of traditional private placements, with Morgan Guaranty fifth, managing $3.3 billion.

Bankers Trust, Citicorp, First of Chicago and Bank of America followed in seventh, eighth, ninth and 12th, respectively. ■

## New issues of corporate securities

March 2 — March 13

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 3/5 | Holiday Inns | 900.00 | Sr. Notes | 100.00% | 2.750 | NY | Drexel Burnham Lambert |
| 3/3 | ML Trust X | 837.50 | GNMA CMO | 100.00% | .500 | OTC | Merrill Lynch |
| 3/10 | Allied Stores Corp. | 700.00 | Sr. Sub. Deb. | 100.00% | 3.500 | OTC | First Boston |
| 3/13 | RJR Nabisco | 500.00 | S.F. Debs. | 98.68% | .887 | OTC | Shearson Lehman/Dillon, Read |
| 3/5 | Holiday Inns | 500.00 | Sub. Debs. | 100.00% | 3.750 | NY | Drexel Burnham Lambert/Goldman, Sachs |
| 3/5 | Shearson Lehman CMO | 300.00 | FN-FH CMO | 100.00% | .500 | OTC | Shearson Lehman |
| 3/5 | CMO Trust 22 | 264.32 | FNMA CMO | 99.97% | .500 | OTC | Salomon Brothers |
| 3/5 | Ford Motor Credit Co. | 250.00 | Notes | 99.80% | .351 | OTC | Goldman, Sachs |
| 3/5 | Commonwealth of Australia | 250.00 | Bonds | 99.25% | .680 | OTC | Morgan Stanley/First Boston/Merrill Lynch/Salomon Brothers |
| 3/3 | General Electric Co. | 250.00 | Notes | 100.00% | .450 | OTC | Kidder, Peabody/Merrill Lynch/Salomon Brothers |
| **Common Stock** | | | | | | | |
| 3/5 | MFS Multimarket Income Trust | 1100.00 | | $10.00 | 6.00 | IPO | E.F. Hutton/Wheat, First Securities (Books) |
| 3/4 | Occidental Petroleum Corp. | 1007.00 | | $30.50 | 3.28 | NY/PC | Drexel Burnham Lambert/Kidder Peabody/Salomon Brothers |
| 3/3 | Fruit of the Loom | 243.00 | | $9.00 | 6.50 | IPO (AM) | DBL/MLCM/EFH/DWR* |
| 3/11 | Texas Utilities Co. | 174.40 | | $34.88 | 2.12 | NY/MW/PC | Morgan Stanley/Goldman, Sachs/Merrill Lynch/Salomon Brothers |
| 3/4 | HealthVest | 105.00 | | $21.00 | 5.52 | AM | SBH/EFH/JOHNSON-LANE** |
| 3/11 | Avery International Corp. | 100.50 | | $50.25 | 1.99 | NY | Kidder Peabody/Goldman, Sachs |
| 3/10 | The Ohio Mattress Co. | 91.30 | | $18.25 | 4.49 | NY/PC | Lazard Freres & Co. |
| 3/3 | Pennwalt Corp. | 63.30 | | $63.25 | 2.50 | NY | Goldman, Sachs |
| 3/10 | Outboard Marine Corp. | 62.00 | | $31.00 | 3.00 | NY | Morgan Stanley |
| 3/4 | Cypress Semiconductor Corp. | 51.70 | | $11.75 | 4.43 | OTC | Morgan Stanley/Robertson, Colman & Stephens |

*Source: Securities Data Co., New York*

*Sr. Sub. Deb.: Senior subordinated debenture*
*S.F. Debs.: Sinking fund debentures*
*GNMA CMO: GNMA-backed collateralized mortgage obligation*
*FN-FH CMO: FNMA/FHLMC-backed collateralized mortgage obligation*
**Drexel Burnham Lambert/Merrill Lynch/E.F. Hutton/Dean Witter Reynolds*
***Smith Barney, Harris Upham/E.F. Hutton/Johnson, Lane Space, Smith & Co.*

*NY: New York Stock Exchange*
*OTC: Over the Counter*
*IPO: Initial Public Offering*
*AM: American Stock Exchange*
*MW: Midwest Stock Exchange*
*PC: Pacific Stock Exchange*

# New issues volume rises . . .

*Continued from page 3*

The surge in mortgage-related offerings helped fuel a 28.2% climb in total debt offerings in the first quarter. Issuers raised $71.8 billion in the straight and convertible debt markets in the first quarter of 1987 vs. $56 billion for the comparable period last year.

Salomon garnered the greatest market share, managing $12.8 billion or 17.8% of total debt volume. First Boston ranked second, with $11.9 billion or 16.6%, followed by Merrill, with $8.5 billion or 11.8%; Morgan Stanley, with $7.4 billion or 10.3%; and Goldman, with $7.1 billion or 9.9%.

In the equity arena, first-quarter 1987 volume climbed to $15.9 billion, up 26.2% from the $12.6 billion raised by issuers in the common and preferred stock markets a year ago.

Merrill ranked first in the equity category, as lead manager for almost $2.7 billion or 17% of total equity volume. Placing second was Goldman, which with $2.1 billion or 13.2% of the market. Drexel, meanwhile, placed third with $1.6 billion or 10.1% of total volume. Fourth and fifth places went to Shearson Lehman and Wheat, First Securities of Richmond, Va., which were credited with $1.3 billion and $1.1 billion each in volume representing market shares of 8.2% and 6.9%, respectively.

Drexel's strong placement in the equity rankings comes as the firm has been battling to preserve its credibility in the face of investigations by the Securities and Exchange Commission and the Justice Department into insider trading and ties to Ivan Boesky. Much of its equity volume stemmed from its lead manager role in the $1 billion common stock offering by Occidental Petroleum Corp. last month.

What may be more surprising to some is that Drexel managed to preserve its dominance in junk bonds last quarter, despite efforts by some competitors to capitalize on the scandal and wrest market share from the firm.

Junk bond volume for the quarter totaled $6.8 billion up from $4.4 billion in the first quarter of 1986. Drexel acted as lead manager on half of that. The firm underwrote $2.1 billion in junk bonds during the same period last year for a 47.7% market share.

Coming in second was First Boston, which underwrote its largest high-yield offering to date — the $800 million placement of high-yield debt in connection with Campeau Corp.'s acquisition of Allied Stores Corp. First Boston's total junk-bond volume for the quarter was $1.5 billion for a 22.1% market share.

Merrill Lynch followed with $603 million or 8.9% of the market. Donaldson, Lufkin & Jenrette was fourth, with $320 million or 4.7%, and Morgan Stanley was fifth with $310 million or 4.6%.

Among other first-quarter underwriting highlights were:

- Salomon and First Boston continued to dominate the mortgage-backed securities market, although, as in the overall rankings, their edge appears to be eroding.

The two firms managed $7 billion and $6 billion, respectively, for a combined market share of 41.8%.

During the first quarter last year, Salomon and First Boston managed $3.8 billion and $3.3 billion, respectively, for a combined market share of 67%.

- Straight-debt issuance for the quarter totaled $67.7 billion, up from $53 billion in the first quarter of 1986. Salomon, in first place, managed $12.7 billion. First Boston, in second, underwrote $11.5 billion and Merrill, in third, $8.5 billion.
- Convertible-debt volume rose to $4.1 billion, up from $3.2 billion a year earlier. Smith Barney, Harris Upham led in this category, acting as lead manager on $965 million in deals.
- Issuers raised $11.5 billion in the common stock arena in the first quarter, up from $8.7 billion the previous year. Merrill, acting as lead manager on $2.1 billion, led underwriters in the rankings.
- Preferred stock volume totaled $4.4 billion for the first quarter, up from $3.8 billion. Morgan Stanley grabbed the largest piece of that, managing $660 million. ■

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# Late news

## PBGC settles suit

WASHINGTON — The Pension Benefit Guaranty Corp. will pay previously denied benefits to thousands of participants and retirees whose plans were amended and terminated between Jan. 1, 1976 and Dec. 31, 1981.

The payments, which could cost the PBGC between $20 million and $35 million, will be made as part of a settlement of a class-action suit against the agency.

Under the settlement, the PBGC will be required to recompute benefits for more than 14,000 participants in plans trusteed by the agency, and review records of some 21,000 plans not under agency control.

Plan participants had charged the PBGC had unlawfully denied them benefit increases stemming from implementing the Employee Retirement Income Security Act's vesting rules, which generally required companies to provide maximum vesting periods of 10 years.

But ERISA also limits PBGC liability for benefit increases during the first five years after a plan is amended.

At Lidz Brothers, a New York garment-industry firm, and Midvale-Heppenstall Co., a Philadelphia steel company, plans for certain employees were terminated less than a year after they were amended to satisfy ERISA's vesting rules. Thus, the PBGC ruled participants were not entitled to guaranteed benefits stemming from the plan amendments.

To settle the litigation, the PBGC has agreed to provide 65% of the additional benefits that would have been guaranteed.

## International hire set

CARSON CITY, Nev. — The $2.4 billion Nevada Public Employees' Retirement System has allocated $50 million to Axe Core Investors Inc., New York, its first international manager, said Laura Wallace, investment officer.

The assets will come from a gradual reduction in U.S. equity allocation to 40% of assets from 53%. Accounts of the fund's three largest equity managers — Criterion Investment Management Co., Houston, $258 million; INVESCO Capital Management Inc., Atlanta, $268 million; and Loomis, Sayles & Co. Inc., Boston, $330 million; each will be reduced by $100 million.

Axe was hired for its Morgan Stanley Capital International Europe Australia Far East index fund. Axe, or another international manager, will receive an additional $50 million by next year. The other $200 million is targeted for fixed income.

William M. Mercer-Meidinger-Hansen Inc. assisted in the search.

## Legislation hits funds

WASHINGTON — An amendment to an omnibus trade bill designed to increase reporting by foreign investors in U.S. real estate and securities might affect U.S. investors as well.

The amendment to H.R. 3 would require foreign investors to report to the Commerce Department all interests of $10 million or more in U.S. real estate and securities.

It also would require reporting where a foreign investor holds 5% or more of total equity or ownership interests, regardless of the size of the investment.

U.S. investors would be required to file if they are "acting in concert" with foreign investors, such as in a limited partnership that includes one or more foreign investors.

American companies with overseas units or those with joint ventures or partnerships with foreigners also might be affected, according to Keith Martin, a lawyer with Chadbourne & Parke, Washington.

The bill is expected to be sent to the House floor in late April or early May.

## Hamilton leaves LTV

DALLAS — Thomas Tull has been named director of employee benefit fund investments at The LTV Corp. and president of Western Reserve Capital Management Inc., replacing Dennis Hamilton.

Mr. Hamilton resigned last month to accept the position of director-pension investments at the $1.1 billion Standard Oil Co. pension fund, Cleveland. He replaces Warren Lory, who was named to the new position of director-finance administration and control.

Mr. Tull joined Western Reserve in 1983 as a portfolio manager and vice president. The firm, a wholly owned subsidiary of LTV, manages about $615 million of the company's $2.4 billion in pension assets and oversees the investment of funds placed with external managers.

## Late money movers

- OAKLAND, Calif. — The $525 million Kaiser Aluminum & Chemical Corp. pension plan has hired its first international managers for $7 million each.

They are: Brown Brothers Harriman & Co., New York; J.P. Morgan Investment Management, London; and Baring International Investment Ltd., London.

Assets for the new managers were taken from an equity index fund managed by Wells Fargo Investment Advisors, San Francisco.

Dorn & Helliesen, Larkspur, Calif., assisted in the search.

- SPRINGFIELD, Ohio — The $35 million Wittenberg University Endowment Fund has hired Oppenheimer Capital Corp., New York, as balanced manager for the fund, replacing David L. Babson & Co. Inc., Boston, according to P. Gus Geil, director of business affairs.

Richard A. Schilffarth & Associates Ltd., Milwaukee, assisted in the manager search.

- NEW YORK — The $1.7 billion Rockefeller Foundation has made additional commitments to venture capital and real estate, said Jack Meyer, treasurer and chief investment officer.

The foundation committed $15 million to the International Network Fund, a venture capital fund managed by Advent International Corp., Boston, and $10 million to Copley Institutional Investors Fund, managed by Copley Real Estate Advisors, Boston.

Funding will be from cash reserves. The moves bring the foundation's investments in venture capital and real estate to $41 million and $78 million, respectively.

## Russell loses, gains

TACOMA, Wash. — David A. Anderson, chief investment officer of the Frank Russell Trust Co. for five years, has left to join Composite Research & Management Co., Seattle, as a senior vice president and portfolio manager.

Also, Thomas A. Middleton, formerly with Wells Fargo Investment Advisors, San Francisco, has joined Russell as director of client services.

Michael C. Malone, formerly vice president and investment officer of Frank Russell Co., has been named chief investment officer, replacing Mr. Anderson. Mr. Malone primarily will be responsible for working with firms managing Russell's commingled funds.

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*Avon's Hicks B. Waldron*

# Avon fighting short-term emphasis

**By Marcia Parker**

NEW YORK — Hicks B. Waldron, Avon Products Inc.'s chairman and chief executive officer, believes money managers' obsession with short-term performance affects their proxy voting practices — and he is taking steps to change that.

Among his actions are:

- Eliminating the pressure on Avon's investment managers by extending the performance evaluation period to three years from quarterly;
- Instructing Avon's money managers to keep a company's long-term view in mind when they vote a proxy;
- And, reviewing each manager's votes on shareholder resolutions this proxy season.

Mr. Waldron said he hopes other chief executives will follow suit to foster a longer term investment horizon among pension fund managers.

In an interview with *Pensions & Investment Age* in his stately office at Avon's midtown Manhattan headquarters, Mr. Waldron said the emphasis on short-term performance comes from both sides.

Corporate America has been accustomed to making quarterly performance evaluations, thinking that was the best way to track the investment and returns of company pension funds.

Money managers responded to the pressure for strong quarterly performance by gearing their investment decisions to the short term.

Neither side gained much from that practice, and both sides complained the other wasn't taking a long view, said Mr. Waldron, who has been chief executive of the beauty products and health care services company since 1983.

Dissatisfied with the traditional performance evaluation system, Mr. Waldron said Avon this year instituted the changes with all 12 of its money managers for the $427 million pension fund. Avon has no internal management.

"We told them, 'We won't call you every quarter to see how you've done and shoot you if you don't measure up,' " he said. "For equity managers, we are reviewing performance every three years and for venture capital managers,

*Continued on page 57*


# Pensions & Investment Age


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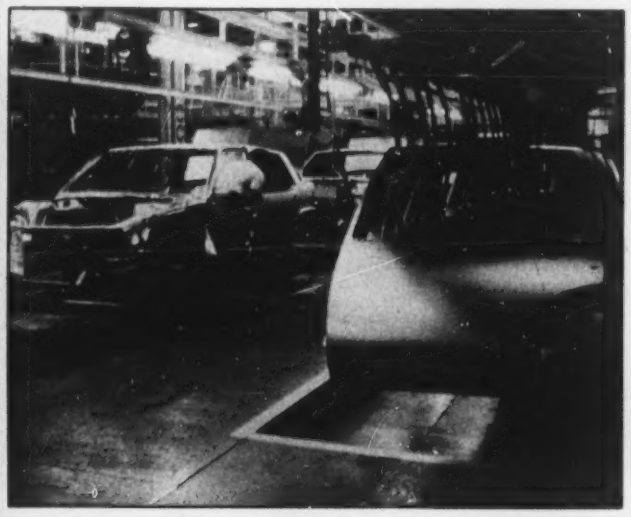
CASH MANAGEMENT: Programs to hedge commercial paper borrowings against rising interest rates are coming back to haunt both Georgia-Pacific Corp. and Sears, Roebuck & Co. — Page 23.

REAL ESTATE: The increasing cost of earthquake insurance combined with its dwindling availability is causing some institutional investors to think twice about commiting their millions to purchase investment properties throughout California — Page 15.

TOP 50 ISSUERS: Plummeting interest rates and an increased interest in acquisitions gave GM, one of whose assembly lines is shown above, and other companies the impetus to seek outside financing in 1986. *P&I Age* takes a look at the top five issuers in 10 sectors — Page 33.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# Pilots pension assets 20% of bid for United

**By Chuck Paustian**

CHICAGO — Pension assets make up more than one-fifth of the approximately $2.5 billion in financing the United Airlines pilots union needs to raise for its $4.5 billion bid for the airline.

Union leaders expect to use a reversion of $200 million to $250 million in surplus assets from the pilots' overfunded defined benefit plan to initially fund a leveraged employee stock ownership plan. In addition, they hope their members will put about $300 million into a new employer stock option in their defined contribution plan.

Officials of the airline's other two major unions — the International Association of Machinists and Aerospace Workers and the Association of Flight Attendants — say they won't participate in the bid. Cooperation from the other unions and use of their pension assets aren't essential, the pilots contend.

Using pension assets to purchase a huge, healthy company — as the pilots want to do — is one of the most aggressive attempts by labor to influence corporate America.

*If the pilots' bid is successful, they'll own the landing rights at United's new O'Hare terminal.*

In fact, said John J. Peterpaul, general vice president of the Machinists' transportation department, his union might launch its own bid for United, one he hopes won't use pension assets and "would be more equitable to the employees."

Machinists leaders are consulting with their investment banker, Brian M. Freeman & Co. Inc., Washington, about how to respond to the pilots' bid.

Corey Rosen, executive director of the National Center for Employee Ownership, Oakland, Calif., noted other unions have used leveraged ESOPs to gain influence or control at a company, but not a large, financially healthy, public company like United.

"The corporate restructuring we've seen over the last several years has been nothing but damaging to labor" through reduced pensions, wages and job security, Mr. Rosen said.

"Labor may be getting involved as players in corporate finance

*Continued on page 57*

# U.S. claims part of plan surplus

**By Barry B. Burr**

EL SEGUNDO, Calif. — The Defense Department has issued a formal claim against NI Industries Inc. to collect more than 10% of the $23 million the company pocketed from terminating an overfunded pension plan, plus accrued interest on the surplus assets.

The Defense Department made the claim April 7 for slightly more than $2.9 million of the surplus assets. In addition, the department is seeking an undetermined amount of accrued interest, dating to Dec. 31, 1983, the effective date of the termination. The assets were distributed May 1985.

NI Industries Inc., based in Long Beach, and a unit of Masco Corp., Taylor, Mich., has resisted sharing the reversion with the government (*Pensions & Investment Age*, Nov. 24).

If NI refuses to answer the claim — either by paying the government or appealing the claim — the Defense Department will collect by reducing payments from ongoing contracts with NI, according to Sam Rousso, public affairs specialist with the El Segundo office of the Defense Contract Administrative Services, a government unit that oversees military contractors.

NI has 90 days to appeal to the Armed Forces Board of Contract Appeals, Washington.

NI executives were unavailable for comment.

The claim is being made as part of a government policy, initiated last year by the Defense Department and adopted by other agencies, to seek refunds or credits for pension cost overcharges by contractors because of terminations, or because plans reach fully funded status as defined by the Internal Revenue Service.

The Defense Department already has received, or has been promised, millions of dollars through agreements to share in termination reversions of FMC Corp., Chicago, and Rockwell International Corp., Pittsburgh, and for credits from fully funded plans of United Technologies Corp., Hartford, Conn., and Lockheed Corp., Burbank. ■

# 3 plans establish incentive-fee programs

By Chuck Paustian

Three public pension funds put some of their investment managers on performance-based fees, but others are slower to accept the fee structures.

• The $8 billion Oregon Public Employes Retirement System, Salem, has a performance-fee arrangement with BEA Associates Inc., New York, which runs about $500 million in equities for the pension fund, said James C. George, investment manager.

• The $7 billion Los Angeles County Employees' Retirement Association, Los Angeles, placed three managers, running about $2.62 billion, on performance fees, said Maureen Oster, senior finance analyst at the fund.

• The $400 million Dallas Police & Firemen Pension Fund placed three equity managers, running a total of $76 million, on performance-based fees, said Jerry M. Hast, fund administrator.

Industry observers said performance-based fees have not gained the support of more funds because of perceived complications in establishing the arrangements.

"I think people, quite incorrectly, perceive the whole issue as more complicated legally, economically and procedurally than it realiy is," said Theodore R. Aronson, a partner of Aronson & Fogler, Philadelphia, which manages $150 million in assets, all tax-exempt. He said one of the firm's six clients is on a performance-fee arrangement.

Mr. George said the Oregon established the performance fee arrangement with BEA Associates at BEA's initiative.

"You can't really say we're pursuing performance-based fees," said Mr. George. "We'll probably see how this works out for a year or so and then maybe pursue it with our other managers," he said. The fund has 17 domestic equity managers and seven international managers.

Mr. George declined to disclose the details of the fee structure, except to say it is a symmetrical fulcrum fee with a cap and floor. BEA Associates' benchmark is the Standard & Poor's 500 stock index; the firm's fee will be calculated during a rolling three-year period, he said.

He said he hasn't pursued other performance fee arrangements because he's generally content with existing fee structures.

"We feel the money management business is one where performance gets rewarded. I don't know of a business that's more performance oriented," he added.

Ms. Oster said the Los Angeles County fund put two equity portfolios and two fixed-income portfolios under a performance-fee arrangement.

The managers are Capital Guardian Trust Co., Los Angeles, which runs a $1.357 billion equity portfolio and a $474.4 bond portfolio; Stein Roe & Farnham Inc., Chicago, which runs $180 million in equities; and CMB Investment Counselors, Los Angeles, which runs $638 million in fixed income.

Ms. Oster said the equity portfolios have the S&P 500 as the benchmark; Capital Guardian's bond portfolio, the the Shearson Lehman Government/Corporate bond index; and CMB, the Salomon Brothers Broad Investment-Grade bond index.

The fund negotiated a base fee with each manager. "Then one half of that base fee is available for the incentive portion, up or down," she said.

For example, if the base fee was 50 basis points, the maximum fee would be 75 basis points and the minimum fee would be 25 basis points. "That way the manager does get paid a fee," said Ms. Oster, who declined to release the specific amounts involved.

To receive the maximum fee, the manager must surpass the stated bogey by at least four percentage points plus its base fee, she said.

The performance measurement period for each manager may be extended, Ms. Oster added. Stein Roe & Farnham and CMB start with three-year rolling periods, while Capital Guardian has a two-year period.

"The object of the incentive fee is for long-term performance," she said. "We're looking at it as being a longer period of time."

At the end of each time period, fund officials will decide whether or not to extend the measurement period, depending on the effects of the fee structure on such things as performance and risk levels of the portfolios.

The idea for performance fees came from the fund's executives. "We were interested in evaluating the effects of performance fees," Ms. Oster said. "We also had some managers that wanted to negotiate fee increases.

"(Performance-based fees) was a way to manage the fee increases," she said.

Callan Associates Inc., San Francisco, aided the fund in setting up the fee structure.

The Dallas Police & Firemen Pension Fund opted for performance fees to spur performance and to lower fees if the firms underperform their benchmarks.

"We previously had a great number of managers that underperformed the S&P 500 for the past five or six years. We were paying them their normal fee for that underperformance," said Mr. Hast.

Under the performance-fee arrangement

*Continued on page 51*

# Advisers boost cash

## Market rise keeps percentage steady

By Fred Williams

Institutional equity managers raised cash during the first quarter of 1987, but reserves as a percentage of equity assets remained unchanged from the year-end cash position of 7.3% because of the record rise in equity values.

According to INDATA, an investment analysis service in Southport, Conn., the amount of cash held by equity managers in their portfolios has increased dramatically. For the INDATA universe alone, the increase in dollar valu of cash reserves was $1.24 billio

The higher dollar amount of cash reserves contributes to speculation there is still plenty of cash being held by domestic money managers to continue to fuel the bull market in equities, at least for the foreseeable future.

While the dollar-weighted average of total assets in cash and equivalents in the INDATA universe held steady at 7.3%, all but one of the investment managers contacted by *Pensions & Investment Age* held higher percentages.

The INDATA universe represents more than $240 billion in total assets in 1,256 institutional equity portfolios. Thus the cash held by these institutions totaled at least $17.5 billion.

Cash reserves ranged from 12% at AmeriTrust Co., Cleveland, to 5% at Alliance Capital Management, New York. During the first quarter, two equity managers increased cash — AmeriTrust and Lincoln Capital Management Co., Chicago — while four reduced cash reserves — Sun Bank, Orlando, Fla.; Harbor Capital Management Co., Boston; Hansen Investment Management Co., San Rafael, Calif.; and Sit Investment Associates Inc., Minneapolis. One manager, Alliance, remained unchanged.

"There is an enormous amount of cash there to buy stocks with," said William P. Kennedy, an Atlanta investment consultant interpreting the INDATA findings. "The money is there and the market is strong.

"The interesting thing is that cash reserves are the same as on Dec. 31 but the (Standard & Poor's 500 stock index) is up 21.3%."

The S&P results for the quarter place it in the 52nd percentile, which means 52% of investment managers outperformed the market in the first quarter. For the 12 months ended March 31, only 22%

*Continued on page 53*

Most new assets*
1st quarter 1987

| Firm | ($ mil.) |
|---|---|
| Bankers Trust Co.-Investment | 773 |
| Chase Investors Mgmt. | 390 |
| Wells Fargo Investment | 286 |
| The Travelers | 254 |
| Aetna Life & Casualty | 230 |
| The Boston Co. | 145 |
| Mellon Bank | 120 |
| Loomis, Sayles | 115 |
| Oppenheimer Capital | 104 |
| Pacific Investment Mgmt. | 94 |

Most new accounts*
1st quarter 1987

| Firm | New accounts |
|---|---|
| Morgan Stanley | 10 |
| Bankers Trust Co.-Investment | 8 |
| Loomis, Sayles | 6 |
| Heitman Advisory | 5 |
| JMB Institutional Realty | 5 |

*As reported in *Pensions & Investment Age*

# Index funds still top draw

By Trudy Ring

Most of the biggest shifts in money management reported in the first quarter involved passive strategies and public pension funds.

Manager hirings reported in *Pensions & Investment Age* during the quarter show index funds bringing in the largest sums. Bankers Trust Co. — Investment Management Group, New York, was the leading manager by far, with $772.7 million in new discretionary asset management business.

Of that, $742.7 million was in stock index funds for major public retirement systems — the New York City Employees', Fire Department and Police Department Pension Funds and the State of Connecticut Trust Funds, Hartford.

Bankers Trust had two other asset management accounts reported in *P&I Age* during the quarter: a $30 million short-term account for May Department Stores Co., St. Louis, and an equity account of undisclosed size for Contel Corp., Atlanta. Two custodial accounts rounded out Bankers Trust's quarter.

But Bankers also had a major index fund account reduced in the quarter. The Alaska Permanent Fund Corp., Juneau, cut its stock index fund to $550 million from $1.3 billion in anticipation of a market correction.

Second in terms of new discretionary assets was Chase Investors Management Corp., New York, with $390 million. The money came from two accounts: a $300 million stock index fund for Unisys Corp., Detroit, and a $90 million bond index fund for Exxon Corp., New York.

Wells Fargo Investment Advisors, San Francisco, a prominent index fund manager, had $286 million in new business reported — $170 million in equities for Pa-

*Continued on page 53*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

**P&I Age March Indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 2.89 | 21.38 | 26.24 |
| Russell 3000 | 2.06 | 20.58 | 22.67 |
| Ryan Index | −1.03 | 0.33 | 5.89 |
| Shearson Lehman Gov't./Corp. | −0.55 | 1.48 | 8.09 |

Source: Rogers, Casey and Barksdale Inc., and Frank Russell.

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*Smith Offshore Exploration Co., which will operate offshore drilling rigs like this one, has attracted $145 million from seven tax-exempt investors for an oil and gas exploration project.*

# Harvard-led deal attracts 5 more

**By Fred Williams**

Five major tax-exempt institutional investors have lined up behind Harvard Management Co. Inc. and the Massachusetts Pension Reserves Investment Trust to participate in a $145 million, three-year oil and gas exploration and development joint venture in the Gulf of Mexico and the coastal region.

Harvard Management, the Cambridge, Mass.-based investment affiliate of Harvard University, is the lead investor with a $50 million commitment to the Smith Offshore Exploration Co. drilling program. The $2 billion PRIT also has committed $7.875 million to the program (*Pensions & Investment Age*, April 6).

Besides Harvard, which was instrumental in putting the deal together and in promoting it to other institutional investors, the endowment funds of four other major East Coast educational institutions will join in the exploration program: Yale University, New Haven, Conn., which invested $10.1 million; Wellesley College, Wellesley, Mass., which invested $750,000; Duke University, Durham, N.C. and University of North Carolina at Chapel Hill. The seventh partner is the Kamehameha Schools/Bishop Estate of Hawaii, Honolulu, which invested $3.335 million.

There also are individual investors participating in the deal.

Harvard Management provided the initial funding for the formation of Smith Offshore. Scott Sperling, partner and head of direct and private investing at Harvard, is chairman of the board of Smith Offshore.

The $3.5 billion Harvard endowment also is pumping up to $20 million into acquiring oil and gas reserves through Harken Oil & Gas Inc., Dallas (*P&I Age*, Dec. 8). The Harken deal was Harvard's first oil and gas investment.

Wayne Jones, associate vice chancellor-business and finance at the University of North Carolina, said the Smith deal is the $127 million endowment's first oil and gas investment, with an initial purchase of one $3.375 million unit in the partnership.

*Continued on page 51*

# Slower growth reported for portfolio insurance

**By Trudy Ring**

The flow of pension assets into portfolio insurance programs slowed in the first quarter, growing by $1.772 billion or 4.5% at 19 leading money management firms.

By comparison, during 1986, the amount of assets covered by portfolio insurance increased more than 600%, according to industry experts.

The assets in portfolio insurance, or dynamic hedging, programs at the 19 firms totaled $41.6 billion March 31.

The figures are for U.S. tax-exempt assets only; the 19 firms were listed because, with one significant exception, they represent the bulk of the market.

The exception is Leland O'Brien Rubinstein Associates Inc., Los Angeles, which provides portfolio insurance both directly and through licensees. LOR officials declined to provide statistics for this report.

But reliable sources said LOR and its licensees likely have about $50 billion under management in insured strategies, of which about $22 billion is for LOR and licensees not surveyed for this story. With the addition of the $22 billion, the total in portfolio insurance as of March 31 would be in excess of $63 billion.

(The LOR licensees in the accompanying table are Aetna Life & Casualty Co., Hartford, Conn.; BEA Associates Inc., New York; Centerre Trust Co., St. Louis; and Wells Fargo Investment Advisors, San Francisco.)

Another manager declining to provide figures was Chase Investors Management Corp., New York, which is marketing dynamic hedging primarily outside the U.S. tax-exempt market.

Some managers said the small first-quarter growth of assets covered by portfolio insurance indicates a lessening of interest in the strategy, which involves use of the futures and options markets to provide an assured minimum rate of return.

"I think the standard portfolio insurance (hedging an entire fund or its entire equity allocation) is peaking — there is a general perception that it's not for everyone," said Ed Peters, portfolio manager-structured investment products group at The Boston Co., Boston.

Mike Alex, vice president of Northern Trust Co., Chicago, agreed. "There certainly is an oversupply (of portfolio insurance capacity) right now."

Other managers still report strong interest in the strategy. A few, such as Oppenheimer Capital Corp., New York, and The Boston Co., drew in more assets in the first quarter than they did all of last year. Although The Boston Co.'s Mr. Peters said the traditional approach has peaked, he pointed out there is interest in using portfolio insurance for hedging fund surpluses or increases in equity allocations.

Others said further growth is possible, but getting pension ex-

*Continued on page 55*

**Portfolio insurance assets hedged ($ mil.)**

| Firm | New business 1st quarter | Total as of 3/31 |
|---|---|---|
| Advanced Investment Mgmt. | 30 | 430 |
| Aegis Capital Mgmt. | 5 | 40 |
| Aetna Life & Casualty | 36 | 16,253 |
| American National Bank of Chicago | 0 | 100 |
| BEA Associates | 128 | 728 |
| Bankers Trust Co.-Investment Mgmt. | 300 | 3,500 |
| The Boston Co. | 200 | 300 |
| Centerre Trust | 200 | 700 |
| Leland O'Brien Rubinstein | NA | 22[a] |
| Lotsoff Capital Mgmt. | 0 | 75 |
| Mellon Bond Associates | 0 | 500 |
| J.P. Morgan Investment Mgmt. | 0 | 4,217[b] |
| Morgan Stanley Asset Mgmt. | 0 | 2,000[a] |
| Northern Trust | 50 | 150 |
| Oppenheimer Capital | 600 | 1,000 |
| Skye Investment Advisors | 25 | 765 |
| The Travelers | 13 | 125 |
| Wells Fargo Investment Advisors | 150 | 10,700 |
| Westridge Capital Mgmt. | 35 | 35 |
| Total | 1,772 | 41,640 |

[a] *Pensions & Investment Age* estimate [b] As of Jan. 1

# *Strategy integration comes under debate*

**By Marcia Parker**

New accounting rules and investment models have sparked a debate among pension executives, lawyers and investment managers over strategy integration — whether corporate objectives and pension fund portfolio strategy should go hand in hand.

The concept involves structuring the pension fund's portfolio to match overall corporate strategies.

In the past, some executives have hedged pension portfolios against the company's industry exposure by avoiding stock holdings in that sector. For example, oil company pension funds might avoid oil industry stocks to avoid exposing the fund to the same risks as the sponsoring company.

Strategy integration goes much further, aligning pension fund strategy with larger corporate goals.

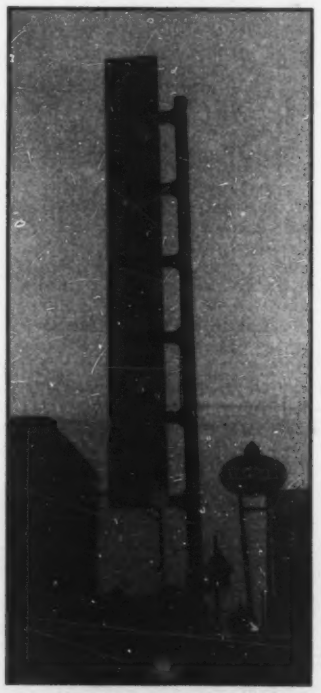
Almost everyone acknowledges taking a look at the concept of strategy integration in light of new pension accounting rules and other factors, but after that the camps are divided, on either conceptual or legal grounds.

There are firm believers like William F. Quinn, American Airlines' assistant treasurer, who is implementing the concept at the Fort Worth, Texas, company through its bond portfolio and equity selection.

Mr. Quinn said the fund constructed a dedicated bond portfolio in 1981 and 1982 with the concept in mind. Recently, it liquidated that $1 billion portfolio and set up a dollar duration bond portfolio, correlating the duration of plan assets and liabi-

*Continued on page 54*

# Texaco plan overfunded



*Although it filed for reorganization under Chapter 11, Texaco's overfunded pension plan leaves the PBGC unaffected.*

**By Barry B. Burr**

Texaco Inc. is one of the few companies with surplus pension assets to file for reorganization and protection from creditors under Chapter 11 of the federal Bankruptcy Code.

Although it has become almost routine for companies to file for Chapter 11 in one breath and dump unfunded pension liabilities on the Pension Benefit Guaranty Corp. in the next, PGBC officials believe that won't be the case with Texaco.

"We are not aware of any exposure to either plan participants or the PBGC as a result of the Chapter 11 filing," Royal S. Dellinger, deputy executive director of the PBGC, commented through a spokeswoman.

According to Texaco's latest annual report, the company's U.S. plans were almost 40% overfunded on a termination basis with about $400 million in surplus assets, which could be used to pay creditors or Pennzoil Co.

As of Dec. 31, the plans had $986 million in accrued vested and non-vested liabilities, using an 8% discount rate, and $1.36 billion in assets.

In addition, many institutional investors with large positions in White Plains, N.Y.-based Texaco or Houston-based Pennzoil are holding their shares for now, despite heavy trading in both stocks after Texaco's filing for bankruptcy-law protection.

"The best case here is really to do nothing," said David Dreman, managing director of Dreman & Embry Inc., New York. He said his firm has added somewhat to the 2.3 million Texaco shares it held as of Dec. 31, although it hasn't purchased any since the April 6 U.S. Supreme Court ruling that ultimately led to Texaco's Chapter 11 filing. Dreman & Embry doesn't hold any Texaco bonds or Pennzoil stock or bonds.

At Batterymarch Financial Management, Boston, John Wagstaff-Callahan, trustee, said, "The decision is to hold the position we have." Batterymarch has 2.1 million Texaco shares, or less than 1% of the total 241.5 million shares outstanding.

Mr. Wagstaff-Callahan said Batterymarch would have taken a loss had it sold its Texaco stock the day after the bankruptcy-law filing, but he wouldn't disclose Batterymarch's average purchase price.

Fayez Sarofim, chairman and president of Fayez Sarofim & Co., Houston, said his firm also is holding its 3.8 million Pennzoil shares.

With 9.2% of Pennzoil's total

*Continued on page 56*

**Payden & Rygel index of short maturity assets***
**(for month ended March 31)**

| | March 1987 | Quarter ended 3/31/87 | Year to date | 12 months ended 3/31/87 | Yield level monthly change* |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4408 | 1.4350 | 1.4350 | 6.1442 | 16 |
| Domestic CD | 0.4783 | 1.5125 | 1.5125 | 6.5999 | 20 |
| Euro $ CD | 0.5050 | 1.4925 | 1.4925 | 6.7141 | 15 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.3525 | 1.3850 | 1.3850 | 6.3833 | 29 |
| Domestic CD | 0.4283 | 1.3875 | 1.3875 | 6.6768 | 19 |
| Euro $ CD | 0.4217 | 1.3075 | 1.3075 | 6.7465 | 25 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.2767 | 1.2850 | 1.2850 | 6.8108 | 25 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.1983 | 1.2275 | 1.2275 | 7.4287 | 19 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
[a]Basis points.
Source: Payden & Rygel, Los Angeles

# Units . . .

*Continued from page 23*

"Of those 12, if one of the divisions has EDI with a supplier; they have all of the part orders on the electronic purchasing system," Ms. Whitson said.

In addition to the purchase orders, Hewlett-Packard electronically sends its suppliers material forecasts detailing the company's needs in the coming months. Ms. Whitson said six suppliers now receive all documents electronically.

The electronic interchange system has led to some significant time saving, mostly by eliminating mail and document-processing delays, she noted. "We've seen some instances where we've shaved eight to 10 days off the (purchasing) cycle."

Officials at all three companies interviewed noted the EDI projects began in one department, but that an executive steering committee is essential to a broader implementation.

Consumers Power's Mr. Wenzel said special committees helped keep both senior management and department heads informed of developments and alternatives. "It has allayed a lot of the fears they have," he said. "We have tackled a lot of these things up front and gotten them resolved early."

Consumers Power has an executive steering committee of executives from customer service, purchasing, accounting and treasury operations that oversees the general implementation process.

The company also has an EDI project committee, which includes representatives from departments such as accounting, purchasing, treasury and accounts receivable that facilitates the implementation process in each department.

Lucie Cole, manager of data services at Hewlett-Packard and the current head of that company's EDI steering committee, agreed a steering committee can help. "It allows us to establish some policies and coordinate some things," she said. "The steering committee provides a body that can talk with people about EDI in general," she added.

"One thing that shows up a lot with EDI is the need for consulting, whether it is from within the company or from the outside," said Ms. Cole.

Mr. Wenzel said his background in data systems has proved valuable in implementing EDI.

"I wanted to get everyone on board before I started," he said.

At Georgia Power, Mr. Goetzman said he didn't want to establish a steering committee until the electronic system was on-line in the purchasing department.

"We felt the steering committee was a good idea, but it would slow down the approval process," Mr. Goetzman said, adding senior management was informed of the project before it was started.

"Basically, we had the senior management of all the financial areas in for about a two-hour breakfast meeting.

"Once we get it going and things start to expand and it affects more areas of the company, a steering committee absolutely has to be set up. We realize that," he added. ■

# Accounts . . .

*Continued from page 23*

is sending copies of the statements from the 10 banks each month to Phoenix-Hecht's Research Triangle Park, N.C., office, to rekey the data onto a floppy disk. Mr. Stavrolakis said Phoenix-Hecht generally returns the floppy disk within 10 days so Mr. Stavrolakis and his staff can evaluate the data using a Lotus 1-2-3 spreadsheet and IBM-compatible personal computer.

Among the utility's main banks are NCNB National Bank and First Union National Bank, both Charlotte, and Wachovia Bank & Trust Co., Winston-Salem, N.C.

He said the cost involves a monthly charge, generally about $300, for rekeying the data, plus a fixed annual fee. He said Carolina Power, which contracted for a year, negotiated to pay less than the $1,500 list price. He declined to specify the discount.

Mr. Stavrolakis said the utility had looked at an account analysis product sold by Treasury Strategies Inc., Chicago, but at $4,000, "we thought it wasn't worth it."

With the Treasury Strategies product, he noted the utility would rekey the data internally, instead of sending the statements out.

He said he thought the Phoenix-Hecht product was cheaper, even considering the monthly charge for rekeying.

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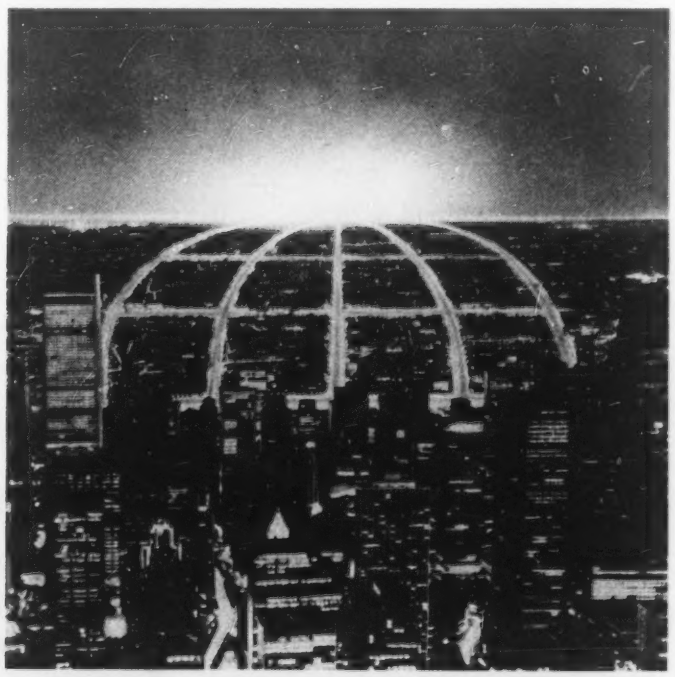

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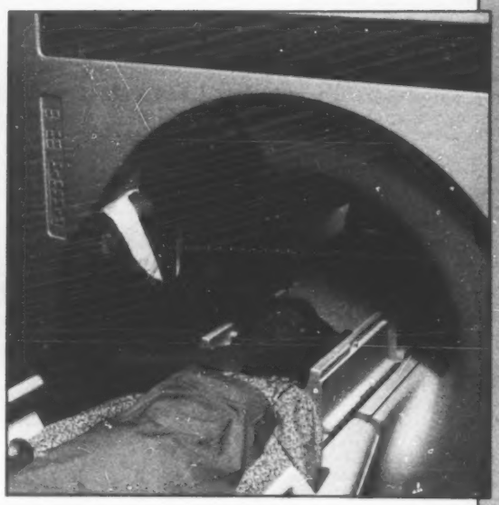
# Top 50 issuers



*Three of America's "generals" all turned to heavy financing in 1986: GTE Corp., left, financed about $2 billion; General Motors Corp., above, financed $1.7 billion to restructure existing debt and raise funds for general corporate purposes; and General Electric Co. went international to get most of its $3.5 billion.*

# Leaders tally 20% of financings

**By Marci Baker**

The top five U.S. issuers in 10 broad industry categories accounted for about 20% of worldwide financing completed by U.S. issuers in 1986, according to data generated by IDD Information Services Inc. for *Pensions & Investment Age*.

Acquisitions and debt refinancings were two major themes motivating the financing activity.

These 50 largest issuers raised at least $85.8 billion — $76.7 billion in public offerings and an estimated $9.1 billion in private placements — domestically and abroad in 1986. That accounts for 20.4% of the $420.3 billion in public and private financings by U.S. issuers worldwide.

The bulk of that financing took place in the United States, where corporations took advantage of the precipitous drop in interest rates and a rousing stock market to raise $71.8 billion. Another $14 billion was generated in overseas offerings of currency-based and Eurodollar securities.

Not surprisingly, the top five issuers in the banking and finance industries accounted for most of the overseas issuing activity. Banks and finance companies, which are continuously scouting financing windows that can provide the lowest cost of issuing, raised almost $10 billion through Eurodollar and foreign currency denominated transactions.

Overall, the top five in those two categories accounted for almost half of the total volume generated by the Top 50.

The five largest banking issuers — Citicorp, J.P. Morgan & Co., Bank of America Corp., Security Pacific and Wells Fargo & Co. — issued an estimated $18.2 billion or 21.2% of the total Top 50 volume.

The leading finance companies — General Motors Acceptance Corp., Ford Motor Credit Co., Asset Backed Securities, Chrysler Financial Corp. and Ryland Acceptance Corp. — raised another $23.4 billion, representing 27.3% of total Top 50 volume.

The financing totals of the Top 50 issuers were based on public and private placement data compiled by IDD and was subsequently verified with the issuer or available public information. In some instances, *P&I Age* was unable to get verification of transactions from the issuer or other sources. In those cases, the transactions were deleted from the universe.

(Also deleted from the rankings because of their quasi-governmental status were the three major agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corp. and the Student Loan Marketing Association. A summary of their financing activities appears on page 48.)

Acquisitions and the refinancing of high-coupon debt were major reasons for companies rising to the top ranks in their respective industries. In 17 cases, acquisitions accounted for all or part of an issuer's financing activities, while in 16 cases, refinancing was cited as a purpose for offerings.

The heated takeover environment of 1986 was most keenly felt in the transportation, retail and service industries. In each, at least three of the top five issuers were there because of acquisitions.

Texas Air Corp. raised more than $1 billion in 1986, almost $500 million of it in common stock and preferred offerings designed to provide funds and expand its equity base to facilitate its acquisition efforts. The company acquired Eastern Air Lines Inc. and People's Express Inc. in 1986.

Safeway Stores Inc. led in the retail arena, with the bulk of its $1.2 billion in capital markets financing done to help take the company private in a $4.3 billion leveraged buy-out led by Kohlberg Kravis Roberts & Co.

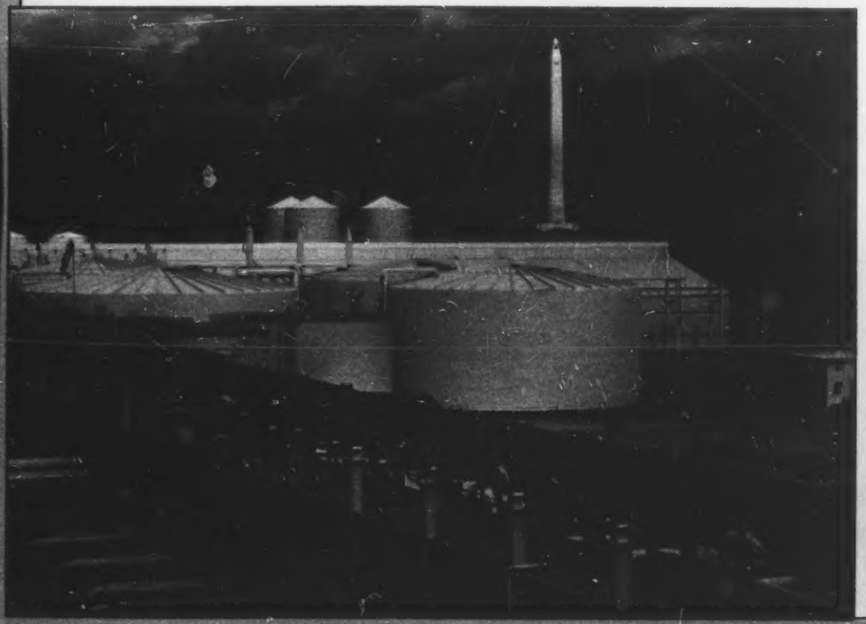
The $3.7 billion buy-out of R.H. Macy & Co. put it in the top slot among service companies. Macy raised $2.7 billion in nonbank debt through the private markets to help pay for the management buy-out.

If acquisition-related activity dominated the top ranks of issuers for these three industries, the trend was felt in others as well. Acquisitions led to financing activity for at least one of the top five issuers in the rail and shipping industry, manufacturing, banking and the health care arenas.

With interest rates reaching their lowest levels in years, many of the Top 50 issuers, like corporations generally, turned to the capital markets to reduce their cost of borrowing. Almost a third raised new debt last year with an eye toward paying off existing issues, replacing floating-rate debt with fixed-rate obligations or refinancing old high-coupon issues with lower interest bonds.

Among the most active in this regard was the utility industry, where a huge volume of debt issued in the high interest rate environment of the early 1980s became available for call in 1986.

*Continued on page 48*



*Occidental Petroleum Corp., one of whose refineries is shown at left, hit the market in March 1986 with debt offerings of $2.5 billion. Officials called it the largest debt offering ever for an industrial company. R.H. Macy & Co. raised $2.7 billion last year to help finance a leveraged buy-out to take the company private.*

Photo by Anita Adler

# Finance

## General Motors Acceptance Corp.

| | |
|---|---|
| Total financing | $7,387,369,000 |
| Public offerings: | |
| Debt | $7,381,173,000 |
| No. of issues | 36 |
| Private placements | $6,196,000 |
| No. of issues | 1 |
| Key underwriters | varied |

DETROIT — General Motors Acceptance Corp. used two new types of financings in 1986, a dual-currency yen/Canadian dollar conversion note and a yield curve note.

The automobile financing company also stepped up its efforts to securitize car loans for sale in the capital markets, which GMAC pioneered in 1985.

Richard J. Clout, vice president-borrowing, said the $56.4 million, five-year/five-year optional extension dual-currency bond was issued by GMAC Canada. Investors receive their cash flow in yen for the first five years. If they choose to extend for five years, the security turns into a five-year Canadian bond. If they choose not to extend, they get the principal in Canadian dollars yielding 10⅛%.

For GMAC Canada, the deal is attractive mainly because there is no foreign exchange exposure, Mr. Clout said.

If conditions were right in the foreign exchange market, he said GMAC might do a similar transaction again. He said one attraction was the issue being heavily slanted to the Asian market, and Japanese participation was significant. That is consistent with GMAC's effort to expand its investor base.

The complex $200 million seven-year yield curve note GMAC floated in April 1986 was, in essence, a high-coupon fixed-rate obligation, according to Mr. Clout. The note will pay semiannual 15¼%, less the six-month London interbank offered rate, which meant the investors' yield was variable.

Because GMAC wanted fixed-rate funds, the company swapped the transaction, paid the investment bank six months LIBOR and received a fixed rate. Mr. Clout said the vehicle's usefulness was short-lived because the right conditions were only present for a brief period.

While it wasn't technically an issuer, GMAC and First Boston Corp. scored high points in 1986 for innovative financing using its automobile loans in the new asset-backed securities market.

The biggest deal was GMAC's sale of some $4.2 billion of below-market interest rate loans to First Boston's Asset Backed Securities Corp. It helped reduce the financing subsidiary's increased leverage that came as a result of the low-cost automobile loans.

The $4.2 billion face value of GMAC loans backing the securities was made up of about $2.3 billion of 2.9% loans with a scheduled maturity of 36 months and about $1.9 billion of 4.8% car loans with scheduled maturities of 48 months.

Mr. Clout said the asset-backed securities market was a new one for the company with a somewhat new investor base, and First Boston's Asset Backed Securities Corp. structure opened a new vista. GMAC sold the auto receivables to Asset Backed Securities and ABS issued the straight debt to investors. By year end, GMAC had sold some $8.8 billion in auto loans through that structure.

GMAC raised about $5.245 billion in 21 transactions in the United States and 15 transactions totaling approximately $2.142 billion overseas. The 10 foreign swap-driven deals were denominated in several foreign currencies, including yen, Australian and Canadian dollars and British pounds.

Among the underwriters GMAC used were Morgan Stanley & Co., Merrill Lynch Capital Markets, First Boston Corp. and Salomon Brothers Inc.

## Ford Motor Credit Corp.

| | |
|---|---|
| Total financing | $5,326,127,000 |
| Public offerings: | |
| Debt | $4,845,536,000 |
| No. of issues | 28 |
| Private placements | $480,591,000 |
| No. of issues | 4 |
| Key underwriter | Goldman, Sachs |

DETROIT — Ford Motor Credit Corp. raised $4.15 billion in the U.S. public markets in 20 transactions ranging from $99 million to $299 million and raised almost $1.2 billion in 12 deals in the international markets in 1986.

W.F. Blood, vice president and treasurer, said Ford Motor Credit diversified its financing sources in the international market, which has led to lower rates and lower borrowing costs. The company was able to offer a large volume of issues at attractive rates in different markets.

One of its most noteworthy deals came in October when Ford issued $200 million of debt via book entry, a first in the corporate debt market. The three-year notes were priced at a slight discount to yield 7.17%. Since then, Ford has done several more book-entry issues.

The other innovative offering was its $200 million annuity note issue, which was managed by Goldman, Sachs & Co. It was the first corporate annuity note issue featuring level debt service.

The five-year, $200 million issue provides duration matching for funding amortized assets. Cash flows are structured the same way as a home mortgage, with the debt repaid during the five-year period in equal amounts on a quarterly basis. The investor gets larger payments of interest and principal throughout rather than getting interest only in the early years and all the principal at the end.

Mark Erskine, assistant treasurer-debt management, said the annuity note made sense for Ford Motor Credit as an asset-liability match because the debt liquidates very similar to the way the company's assets liquidate with automobile owners paying down their loans.

The issuer also raised $729.9 million in 10 deals denominated in foreign currencies, including yen, European currency units, Australian and Canadian dollars, British pounds and Swiss francs.

Goldman, Sachs was lead underwriter in 18 of its 32 public offerings for the year. Underwriters tapped to lead other deals included Merrill Lynch Capital Markets, Nikko Securities, Banque Paribas Capital Markets and Salomon Brothers Inc.

## Asset Backed Securities

| | |
|---|---|
| Total financing | $4,171,025,000 |
| Public offerings: | |
| Debt | $4,171,025,000 |
| No. of issues | 6 |
| Key underwriter | First Boston |

NEW YORK — First Boston Corp.'s Asset Backed Securities Corp. pioneered the emerging asset-backed securities market in 1986, selling a record $4.171 billion in securities backed by auto receivables to hungry investors.

Although listed as six individual issues, the company offered only two issues, each with three tranches, backed by General Motors Acceptance Corp.'s auto receivables.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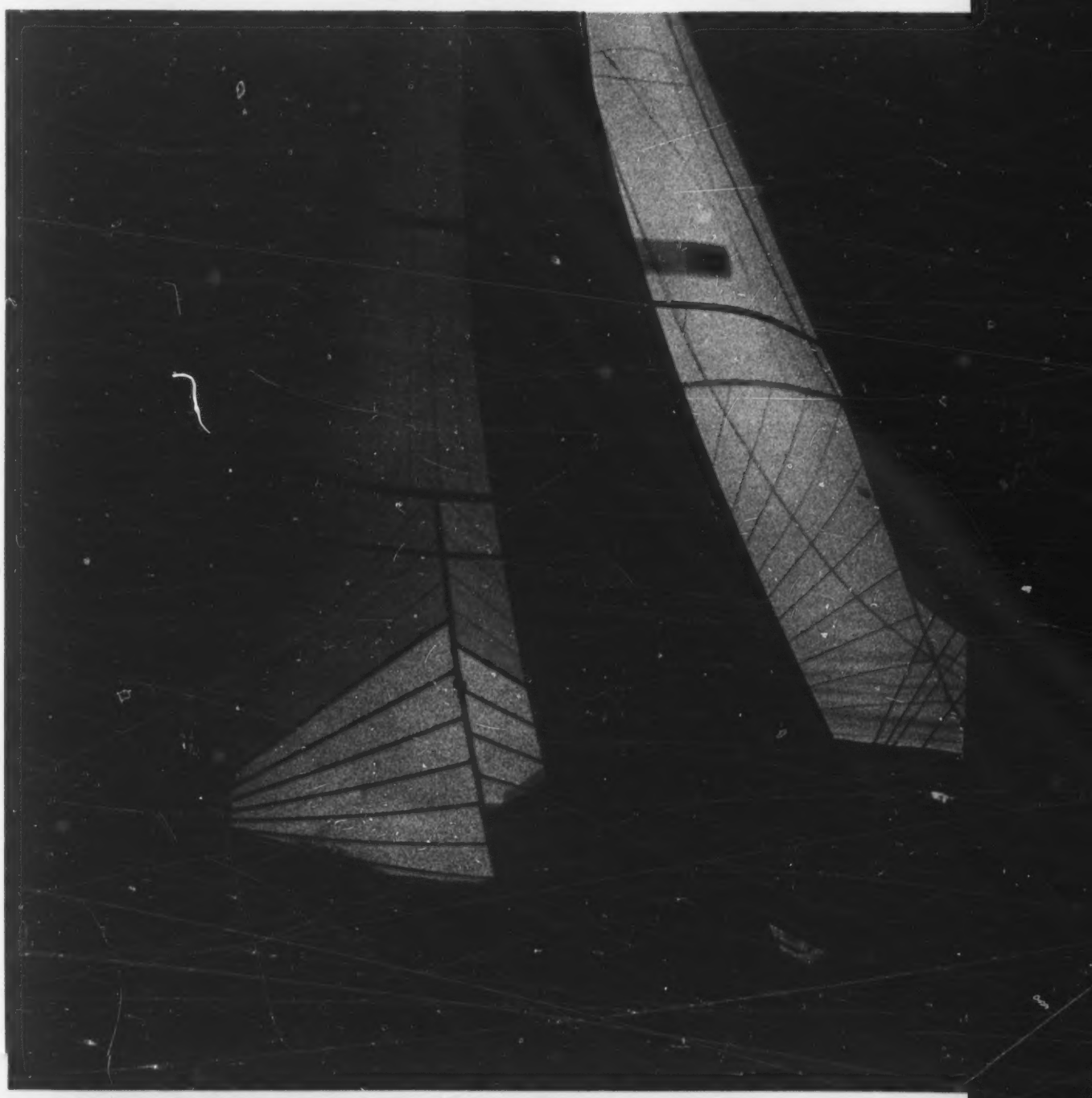

First Boston set up this limited purpose finance subsidiary last summer to issue the first multi-class obligations collateralized by automobile-related certificates. First Boston aims to issue more asset-backed securities, using assets other than car receivables.

Hailed as adding a new dimension to the asset-backed securities market, the initial First Boston deal last October defined the potential investing community for these types of securities and introduced a structure for issuing the securities that previously had only been used in the mortgage arena. It was patterned after a collateralized mortgage obligation.

First Boston set up Asset Backed Securities Co., a special-purpose subsidiary, which purchased GMAC's below-market interest rate loans at a discount, then packaged them in a three-tranche offering of securities.

The nearly $4 billion initial offering consisted of $2.095 billion of securities with an average life of 1.05 years, yielding 6.3% on a semiannual basis; $585 million of securities with an average life of 2.2 years and a yield of 6.96%; and $1.32 billion of securities with an average life of 3.07 years and a 7.21% yield.

First Boston increased the size of the first deal to $4 billion from $3.2 billion, then cut the yield on the securities in response to strong investor demand.

Riding on the success of its first deal, First Boston came back to the market in December, selling another $170 million-plus of securities backed by GMAC auto receivables.

The second offering consisted of $95 million of securities with an average life of 1.09 years yielding 6.25%; $25.019 million of securities with an average life of 2.24 years yielding 6.65%; and $60.082 million with an average life of 3.13 years yielding 6.85%.

Investors snapped up the issues immediately, and several tranches of each deal were oversubscribed. Other investment banking firms have since jumped on the bandwagon, and other kinds of receivables are being used as collateral.

## Chrysler Financial Corp.

Total financing ..... $3,500,000,000
Debt ..... $3,500,000,000
No. of issues ..... 31
Key underwriters .... Salomon Brothers, Morgan Guaranty, Merrill Lynch, Banc Paribas

TROY, Mich. — Chrysler Financial Corp. made 15 domestic and 16 European offerings in both the private and public markets that totaled $3.5 billion in medium- and long-term financings. Offerings placed abroad accounted for $1.3 billion of the total.

The company also met its medium- and long-term financing requirements through the private sale of $1 billion in retail installment receivables. These receivables were auctioned to a group of 14 U.S. and foreign banks in the largest sales transaction in company history.

Chrysler also sold $250 million of receivables in a public offering through a subsidiary, Chrysler Auto Receivables Co.

The certificates for the automobile receivables represent an interest in a pool of retail passenger-car and light-truck installment sales contracts. The certificates, issued in July, carry a 7½% coupon and were offered at 99.95% to yield 7.422% on a semi-annual basis.

Proceeds from the offering were paid to Chrysler Financial in partial payment for the installment sales contracts.

Chrysler Financial had $7.7 billion in commercial paper outstanding at year end.

In July, Chrysler Financial purchased the receivables and certain assets of the inventory financing division of Westinghouse Credit Corp., which was renamed Chrysler First Wholesale Credit Inc. The Westinghouse unit had net receivables outstanding of $423.3 million July 1.

## Ryland Acceptance

Total financing ..... $2,964,831,000
Public offerings:
Debt ..... $2,964,831,000
No. of issues ..... 41
Key underwriters ..... First Boston, Shearson Lehman, A.G. Edwards, Wheat, First

RICHMOND, Va. — Ryland Acceptance Corp. issued $2.9 billion of securities in 1986, mostly collateralized mortgage obligations.

Ryland Acceptance, a unit of Ryland Mortgage Co., acts as a conduit for marketing mortgage-backed securities to the secondary market. The parent company, The Ryland Group Inc., builds single-family homes.

The debt issued by Ryland Acceptance is secured by mortgage-backed securities and mortgage loans acquired from RMC and by notes receivable from others that are pledged as collateral.

Ryland Acceptance received $8 million in bond participation fees, a 320% increase from the $1.9 million received in 1985.

Proceeds from the sale of the bonds are used by the issuer to purchase mortgage loans from Ryland Mortgage and to fund loans to the finance companies participating in the issuance of the bonds.

# Banks

## Citicorp

Total financing ..... $9,231,214,000
Public offerings:
Common stock ..... $232,500,000
No. of issues ..... 1
Debt ..... $8,051,314,000
No. of issues ..... 43
Private placements ..... $947,400,000
No. of issues ..... 14
Key underwriters ..... varied

NEW YORK — Citicorp had two unusual offerings in 1986, variable-coupon renewable notes, or VCR, and perpetual debt in the form of subordinated bank adjustable-rate capital securities, called BANCS.

The VCR, as it was dubbed, was first used by Citicorp in June and investors snapped up the issue within hours. It is designed to give issuers long-term funding at short-term rates.

Since then, the VCR has caught on and Goldman, Sachs & Co., which managed Citicorp's issue, has underwritten several others.

Citicorp's $500 million offering basically was a floating-rate note. Robert M. Butcher, vice president, explained the coupon floats 75 basis points over the 91-day Treasury bill rate until the issuer is informed of the investor's intention to redeem the note. Then the coupon drops to 25 basis points over the Treasury bill rate for three quarters.

The initial maturity is one year, but at the end of each quarter when the coupon is paid the security automatically renews itself for an additional quarter unless the holder tells the issuer it wants to sell the bonds on the secondary market or put them back to the company.

Investors are attracted because the latter feature gives the security the potential to be held indefinitely.

The longer the VCRs are outstanding, the more the savings to the issuer, because the cost of is-

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suing longer than one-year debt probably would be much higher than the 75 basis points over the T-bill rate.

Citicorp also raised $500 million in primary capital in November in the Euromarket, with the perpetual-debt BANCS that cost 15 to 20 basis points more than traditional primary capital debt. Although it was more expensive, the bank has 30 years before investors can put the bonds back and exchange the securities for common or preferred stock.

The bonds' rate was set to float 37.5 basis points over the London interbank offered rate. The floating rate was another advantage to Citicorp because the bank could match it with floating-rate bank assets.

Citicorp used the proceeds from the sale of the BANCS for corporate purposes, principally to fund investments in or extensions of credit to its banking and nonbanking subsidiaries and affiliates.

Mr. Butcher said the financing vehicle was a response to the federal government guidelines allowing bank holding companies to issue perpetual debt and count it as primary capital. He said the deal was done in the Euromarket because British clearing banks had done it before.

Goldman, Sachs was lead underwriter for the offering of the $500 million of floating-rate perpetual bonds. Citicorp and Merrill Lynch Capital Markets were co-underwriters.

For its other offerings, Citicorp tapped Salomon Brothers Inc.; First Boston Corp.; Goldman, Sachs; Daiwa Securities; and Merrill Lynch.

### J.P. Morgan & Co.

| | |
|---|---|
| Total financing | $4,559,456,000 |
| Public offerings: | |
| Debt | $2,454,833,000 |
| No. of issues | 19 |
| Other | $2,104,623,000 |
| No. of issues | 34 |
| Key underwriters | varied |

NEW YORK — J.P. Morgan & Co. issued long-term fixed- and floating-rate debt totaling $1.02 billion in 1986. At the end of the year, $574 million of that amount constituted secondary capital.

Both the availability of long-term funds at attractive rates and the bank's liquidity management strategy influenced the decision to issue long-term debt.

Interest-bearing deposits averaged $34.9 billion in 1986 and $31.6 billion in 1985. The increase was in large part due to the issuance of medium-term deposit instruments in the domestic and Euromarkets.

J.P. Morgan was an active issuer in the Euromarket. For example, the company in June offered $100 million of 8½% notes due October 1993. The subordinated notes pay no interest until October 1991, when 5.25 years of accrued simple interest will be payable. An annual interest rate of 8½% will be paid after October 1991.

In July, J.P. Morgan offered the first subordinated Euroyen issue approved by Japan's Ministry of Finance. The company sold 20 billion yen in subordinated notes due 1994. The notes, which raised the equivalent of $125 million, were priced at 101⅜% and carry an annual coupon of 6%.

J.P. Morgan made another yen offering in October when the bank's London office sold $100 million of five-year floating-rate deposit notes in the Euromarket. The notes were priced at 101%.

The notes pay interest semiannually at 0.1 times the sum of six-month yen London interbank offered rate and ⅛% for the first two years, and at six-month yen LIBOR plus 2.15% after that.

Also in October, the company announced the offering through its London office of $100 million 7¼% deposit notes sold in the Euromarket. The notes were priced at 100⅝%.

Domestic offerings include $300 million of five-year senior notes carrying a semiannual coupon of 7.1%.

J.P. Morgan's underwriters include First Boston Corp.; Morgan Guaranty Trust Co.; Merrill Lynch Capital Markets; Salomon Brothers Inc.; E.F. Hutton & Co.; The Nikko Securities Co.; Shearson Lehman Brothers Inc.; Bear Stearns & Co.; PaineWebber Inc.; Goldman, Sachs & Co.; Nomura Securities International Inc.; and Kidder, Peabody & Co.

### Bank of America Corp.

| | |
|---|---|
| Total financing | $1,891,643,000 |
| Public offerings: | |
| Debt | $514,000,000 |
| No. of issues | 1 |
| Private placements | $1,377,643,000 |
| No. of issues | 9 |
| Key underwriters | varied |

SAN FRANCISCO — Bank of America Corp.'s most unusual and innovative offerings in 1986 were Certificates of Automobile Receivables, known as CARS.

The bank structured public offerings and private placements of more than $1.35 billion of CARS, which were designed by Salomon Brothers Inc. The certificates represent interests in a pool of motor vehicle retail installment sale contracts and security interests in those vehicles.

There are several benefits to the bank, including providing a cost-effective source of medium-term funds. It also allows the bank to leverage its capital base across a broader range of activities. The bank also has the flexibility to decide if it wants to hold or distribute the loans.

Townsend Walker, vice president-manager of retail asset sales, said pooling and securitizing consumer loans is a major part of the bank's strategy as it tries to capitalize on its capability to originate quality retail loans.

The bank continues to service the loans and to maintain customer relationships while the proceeds of the offerings are used for relending. He said that through CARS, the assets flow to whichever investors have the highest demand to hold them at a given time.

The largest of Bank of America's three 1986 CARS transactions was a $737 million private sale of auto loans and contracts to Bankers Trust Co., which was completed at year end. Bank of America and Bankers Trust arranged the offering. The security was unrated. The certificates had a coupon of 6.82%.

Bank of America also structured a public offering of $514 million of CARS in December. Salomon Brothers Inc. led the underwriting syndicate offering the certificates, which had a coupon of 6.8%. It was rated AAA by both major rating agencies.

The $514 million public offering and the $737 million private sale were the largest transactions of their kind to date by a commercial bank.

Bank of America's smallest offering was a $100 million issue of CARS that was privately placed by Salomon. It was rated AAA by Standard & Poor's Corp. The certificate had a coupon of 7.65%.

All three CARS had a five-year stated maturity and an average life of 1.5 years.

Mr. Walker said the bank plans to expand into other asset-backed securities. In early 1987, the bank structured a public offering of $400 million of certificates in a portfolio of receivables selected from its California Classic credit card accounts. The bank said it was the first public transaction


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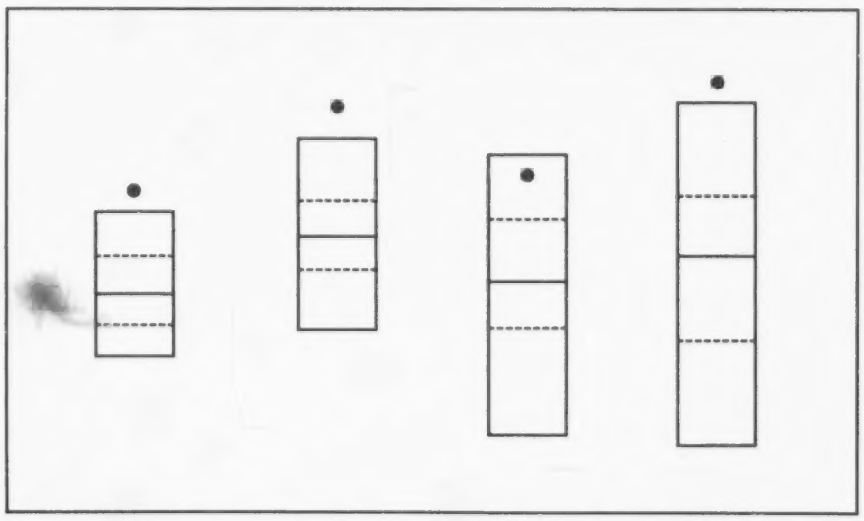
Periods Ending December 31, 1986



| | 10 Years | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| CCI Return (●) | 19.9 | 26.4 | 21.9 | 27.3 |
| SEI Ranking* | 3 | 1 | 7 | 1 |
| S&P 500 | 13.8 | 19.9 | 18.5 | 18.7 |

*Annualized Rates of Return*
**Source: SEI Funds Evaluation*
***Past results do not assure future performance.*

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involving the sale of credit card receivables.

The certificates, which had a coupon of 6.9%, were rated AAA by both rating agencies. They represent undivided interests in the California Credit Card Trust 1987-A. The syndicate that handled the underwriting was led by First Boston Corp.

### Security Pacific Corp.

| | |
|---|---|
| Total financing | $1,323,758,000 |
| Public offerings: | |
| Preferred | $150,000,000 |
| No. of issues | 2 |
| Debt | $1,115,358,000 |
| No. of issues | 10 |
| Private placements | $58,400,000 |
| No. of issues | 6 |
| Key underwriters | varied |

LOS ANGELES — Security Pacific Corp. issued $616 million of its $1.3 billion in offerings in non-dollar-denominated debt, including the first five-year, floating-rate Australian-dollar issue.

Kenneth Sherman, senior vice president and assistant treasurer, said the bank's $123.7 million (U.S.) floating-rate issue, which was priced at par and non-callable for three years, was underwritten by Salomon Brothers Inc. The notes pay quarterly interest at a rate of 100 basis points below the 90-day Australian bank bill rate. Security Pacific was able to get floating-rate U.S. dollars in return for the Australian dollars at a lower cost than any floating rates of the past year. Mr. Sherman said the floating rate note was a funding alternative to its U.S. commercial paper program and the proceeds were used to pay down that debt.

Security Pacific also offered a $91 million Dutch gold floating-rate note, two dutch auction preferred stock deals, and some debt denominated in Australian and New Zealand dollars and yen.

The bank issued $422.2 million overseas and $901.6 million in the U.S. market, including $843.2 million in public offerings and $58.4 million in private placements.

### Wells Fargo & Co.

| | |
|---|---|
| Total financing | $1,240,575,000 |
| Public offerings: | |
| Common stock | $432,000,000 |
| No. of issues | 2 |
| Preferred | $250,800,000 |
| No. of issues | 4 |
| Debt | $557,775,000 |
| No. of issues | 5 |
| Key underwriter | Morgan Stanley |

SAN FRANCISCO — Wells Fargo & Co. raised more than $1.2 billion in 1986, including a large chunk to finance its $1.07 billion acquisition last May of Crocker National Corp. from Midland Bank PLC.

In conjunction with the acquisition, Wells Fargo issued $342 million in common stock, $177.3 million in dutch auction preferred stock, and $73.5 million in adjustable-rate preferred stock. The balance was funded by borrowings. The financing for the Crocker acquisition was designed to raise Wells Fargo's capital ratios. The combined company's primary capital position was stronger at year-end 1986 than 1985.

Proceeds from the rest of the bank's traditional issues were used for general corporate purposes. One issue was a $57.9 million New Zealand dollar-denominated note.

Wells Fargo & Co. is the holding company and does the bulk of the financing for itself and Wells Fargo Bank.

## Manufacturing

### General Electric Co.

| | |
|---|---|
| Total financing | $3,491,236,000 |
| Public offerings: | |
| Debt | $3,491,236,000 |
| No. of issues | 12 |
| Key underwriters | varied |

STAMFORD, Conn. — Although lower U.S. interest rates led many issuers to rely on basic domestic debt financings in 1986, General Electric Co. turned often to Eurodollar and currency-related deals for its financing.

The issuer netted $3.5 billion in 12 debt offerings in 1986, with proceeds used for general corporate purposes and to help finance its $6.8 billion acquisition of RCA Corp. Eight of those transactions were overseas or currency-based transactions. The company's four domestic-dollar deals, however, accounted for $1.8 billion or 51% of its total financing volume.

In its overseas financing activities, GE dipped into the markets three times to issue extendible securities totaling $800 million.

In March and April, the company offered $300 million of 8% Eurodollar extendible notes due 2006, $300 million of 7⅜% extendibles due 2006 and $200 million of 7% extendibles due 1998.

The interest rates on the three issues will be subject to annual adjustment at the company's option beginning in 1993, 1991 and 1989, respectively. In addition, GE will have the option to redeem some or all of the issues at the reset dates, once they begin. Investors get the option to hold the securities or put the bonds back to the company and have their principal returned.

GE also was among U.S. issuers tapping the emerging Australian-dollar market last year, issuing in May about $108 million of three-year notes. The 12¼% notes netted GE about $106 million after underwriting fees. To minimize currency risk, the company swapped its Aussie-dollar obligation with another entity to obtain a fixed U.S.-dollar interest cost of 7.67%.

Other international GE offerings included a Euroyen deal, providing proceeds of $202.4 million; two straight Eurodollar deals netting $466.2 million; and an offering of Eurodollar discount notes with warrants that provided proceeds of almost $110 million.

GE was among issuers to flood the market with debt offerings in the first part of the year in an effort to take advantage of the sharp drop in interest rates. It launched a $300 million of 30-year sinking fund debentures in mid-March carrying a coupon of 8⅝%. It soon followed with three shorter-term deals each totaling $500 million. Two consisted of three-year notes with 7⅛% and 6⅞% coupons, while the third consisted of five-year notes carrying a 6⅞% coupon.

Lead underwriters on GE's domestic transactions included Merrill Lynch, Salomon Brothers Inc. and Morgan Stanley & Co. Inc. Its lead managers on overseas deals included Daiwa Securities, Yamaichi International and Nikko Securities Corp.

### BCI Holdings Corp.

| | |
|---|---|
| Total financing | $2,500,000,000 |
| Public offerings: | |
| Debt | $2,500,000,000 |
| No. of issues | 4 |
| Key underwriter | Drexel Burnham |

CHICAGO — BCI Holdings (formerly Beatrice Cos. Inc.) raised $2.5 billion in the U.S. debt markets in 1986 to help finance the $6.2 billion leveraged buy-out of the company by Kohlberg Kravis Roberts & Co., New York.

The April debt financing, solely managed by Drexel Burnham Lambert Inc., consisted of four issues, all priced at par: $600 million of 11%, 10-year senior notes; $800 million of 12½%, 12-year senior subordinated debentures; $950 million of 15-year subordinated debentures with a 12¾% coupon; and $150 million of 15-year floating rate subordinated debentures with an 11⅛% coupon.

In addition to the high-yield debt offerings, financing for the buy-out included $4.1 billion of bank debt and $497 million of equity provided by KKR, BCI Chairman Daniel Kelly and other members of BCI management.

Proceeds from the debt offerings were used to pay off old Beatrice debt, working capital and to pay for expenses related to the leveraged buy-out.

Terms of the bank debt called for BCI to sell off $1.45 billion of assets within 18 months to repay some of the bank loans. BCI proceeded with asset sales almost immediately.

By year end, asset sales completed or announced included its Avis Car Rental unit, its knitwear division, its soft-drink division and the International Playtex division. Beatrice Leasing Co., Webcraft, the warehouse division and the dairy products unit also have been sold.

Some $1.3 billion has been realized by the sales, with proceeds going to pay down bank debt. The company will net another $2.5 billion when all the transactions are closed.

Among BCI's cost-cutting measures was the exchange, in August, of redeemable preferred stock outstanding prior to the buy-out for $1.25 billion of 15¼% exchange debentures, according to Morgan Stanley & Co. research. The swap will provide BCI with a $90 million savings annually. BCI realized another $20 million savings from the renegotiation of its bank debt.

### General Motors Corp.

| | |
|---|---|
| Total financing | $1,681,059,000 |
| Public offerings: | |
| Debt | $1,681,059,000 |
| No. of issues | 7 |
| Key underwriters | varied |

DETROIT — Falling interest rates led to stepped-up capital markets financing activity by General Motors Corp. in 1986, as the company sought to restructure existing debt with the cheaper issues and raise funds for general corporate purposes.

The company was among issuers flocking to debt markets the first part of the year to take advantage of the low yields offering the cheapest financing costs since the late 1970s. Overall, GM raised almost $1.7 billion in seven offerings in the United States and abroad.

Like others, its theme for domestic financings was "back to basics."

GM's first deal of the year was a $500 million offering in mid-April of 30-year bonds carrying an 8¼% coupon and a traditional 10-year call feature. Priced to yield 8.2%, the deal provided the issuer with $496 million in net proceeds. Two subsequent domestic offerings were shorter-term transactions and raised almost $700 million.

Overseas, GM had more esoteric taste. The company raised $481 million in four overseas offerings last year — all currency-related transactions.

In May, it stepped into the Swiss market for the time to raise $165 million with an offering of securities using the controversial foreign interest payment structure.

The securities are perpetual, reverse dual-currency bonds whose interest, in contrast to conventional dual-currency issues, is payable in dollars and whose principal is payable in Swiss francs. The deal provided investors the option to put back the bonds to the company and receive their principal every 10 years at a fixed currency exchange rate. But investors must take the loss if that pre-set exchange rate at issuance is higher than the exchange rate in effect at the time the put can be exercised. Meanwhile, the bonds also allow the company to call the bonds every 10 years at the same exchange rate — a feature that provided built-in protection against currency risk.

Foes of the structure argued the issuers effectively were getting very cheap 10-year financing at the expense of investors. The securities put too much currency risk on the shoulders of investors, they argued, even though the investors were compensated for the

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New Issue / April 8, 1987

$432,200,000

EXXON CAPITAL VENTURES INC.

Guaranteed Zero Coupon Notes Due 1990-2001
Payment of the Notes is Guaranteed by

EXXON CORPORATION

| | |
|---|---|
| $7,210,000 due February 15, 1990 | $6,764,000 due February 15, 1993 |
| 6,764,000 due August 15, 1990 | 54,249,000 due August 15, 1993 |
| 6,764,000 due February 15, 1991 | 86,139,000 due November 15, 1993 |
| 6,764,000 due August 15, 1991 | 59,683,000 due February 15, 1994 |
| 6,764,000 due February 15, 1992 | 110,331,000 due August 15, 1994 |
| 6,764,000 due August 15, 1992 | 74,004,000 due February 15, 2001 |

Copies of the Prospectus Supplement and the related Prospectus may be obtained in any State in which this announcement is circulated only from the undersigned or others as may legally offer these securities in such State.

Salomon Brothers Inc

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risk in the form of higher Swiss-market coupon rates. The GM issue carried a 7% dollar-denominated coupon, scheduled to be reset every 10 years at 50 basis points below the prevailing 10-year U.S. Treasury rate.

The company launched three more foreign currency deals before the year was out: a deutsche mark-denominated offering with proceeds of $91.2 million, a Euroyen offering netting $132 million and another Swiss franc deal netting $100.5 million.

Lead underwriters included Salomon Brothers Inc. and Morgan Stanley & Co. Inc. in the United States, and Credit Suisse and Credit Suisse First Boston overseas.

## The Henley Group

| | |
|---|---|
| Total financing | $1,224,000,000 |
| Public offerings: | |
| Common stock | $1,224,000,000 |
| No. of issues | 1 |
| Key underwriters | Lazard Freres, First Boston, Merrill Lynch |

LA JOLLA, Calif. — The Henley Group made its way into the top five manufacturing issuers of 1986 with the largest initial public stock offering ever.

The company raised $1.2 billion through the sale of 60 million shares of common stock at $21.25 a share in May. The total was a far cry from the $200 million Henley officials said they would raise in March.

But unbridled demand from institutional investors and the bull market led the company to increase its stock offer to $500 million in April and ultimately to $1.2 billion in May. About 95% of the offering was sold to institutional investors.

Size wasn't the only distinguishing factor of the Henley deal. Equally compelling was that such strong demand could be created for a company on the merits of its management team rather than a track record as an independent entity.

The Henley Group comprises 35 unrelated, mainly unprofitable businesses spun off from Allied-Signal Inc. Its core businesses are health-care technology, energy technology, engineering, construction materials and chemicals.

The group's strongest selling point is Michael Dingman, its chairman and chief executive officer, who has an enviable reputation as a corporate manager. Mr. Dingman had built Wheelabrator-Frye into a $1.5 billion company through acquisitions before selling out to The Signal Cos., which later merged with Allied Corp.

In building up Henley, the management's strategy is one of selective acquisition and divestiture. Proceeds from the IPO, along with a $3 billion revolving credit agreement established with a syndicate of U.S. and foreign banks in December, will be used toward this goal.

## Union Carbide Corp.

| | |
|---|---|
| Total financing | $1,015,000,000 |
| Public offerings: | |
| Common stock | $650,000,000 |
| No. of issues | 1 |
| Private placements | $200,000,000 |
| No. of issues | 1 |
| Other | $165,000,000 |
| Key underwriters | First Boston |

DANBURY, Conn. — Union Carbide Corp. came full circle in 1986, beginning the year with a recapitalization plan that put an additional $2.5 billion of debt on its books and ending the year with another recapitalization plan that wiped out virtually all of that debt.

The bulk of the company's $1 billion in capital markets and private placement financings during the year were related to its year-end debt reduction drive.

In November 1986, Union Carbide launched a tender offer for $2.5 billion of high-interest debt issued in January as part of a recapitalization plan designed to enhance shareholder value and repel a hostile takeover by GAF Corp. Although initial cash for the offer came from $3 billion in bank loans and a short-term bridge facility, Union Carbide immediately turned around to repay some of those loans with $850 million in proceeds from a common stock offering and a private placement.

The January recapitalization called for the repurchase of 38.8 million shares in exchange for $776 million cash and $2.5 billion in 13½% to 15% debt securities. In connection with the exchange offer, the company also sold its consumer products businesses and declared a special cash dividend to stockholders for the excess sale proceeds over the businesses' book value.

The exchange offer bonds increased Union Carbide's debt load to about $5.5 billion, with interest expense in 1986 almost doubling to $543 million.

To reduce interest costs and get out from under covenants tied to the bonds that limited its ability to restructure, Union Carbide launched another recapitalization in November. It offered to pay bondholders a 24% premium to surrender the $2.5 billion in debt, at a total cost of $3 billion.

Initial financing for the tender offer came from $2 billion in two-year bank loans with an initial interest rate of about 7.9% and $976 million in a short-term bridge loan from First Boston Corp., which had an initial rate of 11½%.

But by year end, Union Carbide had reduced these obligations to $1.1 billion and $125 million, respectively, with proceeds from its stock offering and private placement of debt.

In December, the company issued 30 million shares of common to the public at $22.50 a share to net $650 million. Another $200 million was raised through the private issuance of debt — $95 million of 8.6% of senior notes due 1989 and $105 million of 9.1% senior notes due 1990. Another $875 million was repaid from the proceeds from earlier sales of assets and the sale-leaseback of its Danbury headquarters.

This month, Union Carbide moved to pay off the remaining $125 million bridge loan and further reduce its bank debt through a $650 million offering of debt.

Union Carbide expects to save more than $100 million annually in interest expense as a result of the latest recapitalization. The interest savings is expected to offset any dilution that otherwise would have occurred through the December issuance of stock.

Outside of its recapitalization-related financings, Union Carbide also completed a number of project and lease-related financings last year. At least $165 million was raised through private placement transactions with investment banks, including $125 million interim financing with Salomon Brothers Inc. for a cogeneration facility.

Some of these types of financings are not included in Union Carbide's total because they were not arranged through an investment bank. For example, the company did not use a banker on the $350 million sale-leaseback of its headquarters. This transaction was the company's largest lease-related deal of the year.

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# Service

## R.H. Macy & Co.

Total financing.....$2,700,000,000
Private placements.....$2,700,000,000
No. of issues.....7
Key underwriter.....Goldman, Sachs

NEW YORK — The financing for the $3.7 billion leveraged buy-out of R.H. Macy, one of the largest buy-outs in retail history, was raised by Goldman, Sachs & Co. through private placements and public offerings.

Macy completed its financing and went private in July after nine months of negotiations.

Goldman raised the financing via a $282.5 million private placement to purchase the preferred stock and a $17.5 million private placement to acquire the common stock.

The investment bank also arranged $300 million of 16.5%, 20-year deferred interest, junior subordinated discount debentures due 2006 with a face value of $910 million; a $400 million private placement of 14.5%, 12-year senior subordinated debentures; and $650 million of 14.5%, 15-year subordinated debentures due 2001. Goldman also did a $250 million private placement of 13.5%, 10-year senior notes and lined up an $800 million secured loan backed by real estate.

In addition, the investment bank arranged a $510 million six-year bank loan and a $225 million, one-year loan secured by shopping centers.

General Electric Credit Corp. sold $400 million in 14.5% senior subordinated Macy debentures due 1998 in a public offering soon after it had provided that debt for the buy-out. GECC effectively reduced the cost of its preferred stock holding through the public sale of the 14.5% bonds.

## Wickes Cos.

Total financing.....$1,380,000,000
Public offerings:
Debt.....$1,380,000,000
No. of issues.....1
Key underwriter.....Drexel Burnham

SANTA MONICA, Calif. — Wickes Cos., which has been on an acquisition binge, raised $1.38 billion in 1986 to finance its acquisition of Collins & Aikman Corp. and several retail home-improvement and building materials chains from W.R. Grace & Co.

The retailer and maker of consumer products issued $1.38 billion in 15-year, 11⅞% senior subordinated debentures in the U.S. public market to finance the $1.16 billion acquisition of Collins & Aikman, a New York-based producer of textile products and wallcoverings.

About $200 million was used to purchase several chains, including Handy Dan Colorado, Ole's Home Improvement Center, Orchard Supply Hardware and Cashways and Allwoods.

## Turner Broadcasting System Inc.

Total financing.....$1,203,258,000
Public offerings:
Debt.....$1,203,258,000
No. of issues.....6
Key underwriters.....Drexel Burnham

ATLANTA — Turner Broadcasting System Inc., which raised $1.2 billion to finance its $1.5 billion acquisition of MGM/UA Entertainment Co., later was forced to sell off the bulk of MGM's assets to pay off the debt.

The securities Turner sold initially to finance the acquisition included $440 million principal amount of Turner Broadcasting serial zero-coupon senior notes due 1989 to 1992; $600 million principal amount of extendible senior notes with initial coupon 12.5% putable; and $360 million principal amount of 14% senior subordinated notes due 1993.

The Series A-D zero-coupon notes were issued based on yields to maturity of 13.25%, 13.45%, 13.65% and 13.855% respectively, based on semiannual compounding of interest. Net proceeds were $247.2 million. The extendible notes were issued at 100% of principal amount.

The extendible notes initially bear quarterly interest at an annual rate of 12½%. The rate was slated to rise half a percentage point quarterly for each quarter the notes are outstanding.

The senior subordinated debentures were issued at 98.905% of principal amount to yield 14¼%.

In addition to the $1.2 billion it paid for MGM, Turner assumed about $800 million in debt.

Shortly after Turner completed the merger last year, it became evident the company would have difficulty meeting some of the early debt obligations. To raise money, Turner sold key MGM assets. Lorimar-Telepictures Corp. acquired MGM's film and laboratory and real estate units from Turner for $190 million. The film and television distribution company and MGM logo were sold to United Artists Corp. for $300 million.

Turner has since paid down approximately $450 million in debt from the sale of assets and is negotiating with several cable television companies to invest equity so that the preferred stock issued in connection with the MGM acquisition can be repaid.

## Fox Television Co.

Total financing.....$1,148,000,000
Public offerings:
Preferred.....$1,148,000,000
No. of issues.....1
Key underwriters.....Drexel Burnham, Allen

NEW YORK — In what many view as the most complex and unusual issue of 1986, Rupert Murdoch acquired Metromedia Broadcasting Corp. properties, mainly through a Fox Television Stations Inc. preferred stock issue.

The structure of the deal was so hard to understand it took a 400-page plus prospectus to explain the plan to investors, securities analysts and regulators.

Fox needed $2 billion to purchase Metromedia's seven television stations and two other properties.

As part of the financing, Fox issued $1.15 billion in preferred stock and treated it as debt for tax purposes but equity for accounting and corporate purposes. The prospectus called the security increasing rate exchangeable guaranteed preferred stock.

Drexel Burnham Lambert Inc. and Allen & Co. structured the transaction so the preferred pays an increasing dividend — 13% the first year, 14% the second and 15% subsequent years until its maturity in 1996.

Fox retained the option to redeem the preferred at any time, or exchange it for debentures of similar terms in News America Holdings Inc., a unit of News Corp. The preferred is subordinate to News Corp.'s and its units' existing debt.

If after three years the entire offering has not been redeemed, holders begin acquiring rights that would convert each preferred stock or debenture into at least $1,000 of News Corp. common or cash based on the stock's value.

Fox used the preferred to help finance its assumption of Metromedia junk bonds, whose market value is estimated at $1.465 billion. The rest of the financing came from bank borrowings and from the sale to Hearst Corp. of one of the television stations.

## Coca-Cola Enterprises

Total financing.....$1,118,838,000
Public offerings:
Common stock.....$1,118,838,000
No. of issues.....1
Key underwriter.....Allen & Co. Inc.

ATLANTA — Coca-Cola Enterprises Inc. went to flat from fizzy in an initial public offering that brought $400 million less than the company expected.

Although the preliminary prospectus estimated the offering price between $21 and $24 a share, the deal finally came through at $16.50 a share. Sale of the common stock in November brought net proceeds of $1.1 billion instead of the $1.5 billion originally expected by the company.

Coca-Cola Enterprises, formed by The Coca-Cola Co. and managed by former Coke executives, is a group of Coke bottlers that previously were independently owned.

The Coca-Cola Co. decided to consolidate the bottling operations it acquired after JTL Bottlers and Beatrice Bottlers were offered for sale last year. Coca-Cola Enterprises emerged as the largest bottler of Coca-Cola soft-drink products in the world.

Proceeds were used to reduce bank debt from the purchase of JTL Bottlers and Beatrice Bottlers. The acquisition of two other bottlers were financed by the proceeds, which also were used to provide working capital for Coca-Cola Enterprises.

Allen & Co. Inc. served as lead manager for the public offering while First Boston Corp., Salomon Brothers Inc. and Shearson Lehman Brothers Inc. acted as co-managers.

# Utilities

## GTE Corp.

Total financing.....$1,999,752,000
Public offerings:
Debt.....$1,999,752,000
No. of issues.....19
Key underwriters.....varied

STAMFORD, Conn. — Improved cash flow and the $420 million proceeds from Siemens AG's interest in a joint venture combined to reduce GTE's reliance on external financing in 1986.

In December, GTE used a major part of the proceeds from Siemens AG to extinguish $286 million of long-term debt carrying coupons of 11.95%, 12.25% and 12.5%.

External sources provided 8.7% of the company's financing needs last year compared with 15.5% in 1985.

But the company, taking advantage of a general decline in interest rates and upgrades from the rating agencies, financed a record $2.3 billion ($2 billion net proceeds) in the capital markets.

GTE made 19 offerings, selling debt that ranged in maturity from three to 40 years. GTE Finance made the only foreign currency deal among the company's subsidiaries, a dual-currency 6.5% 20-year Swiss franc offering that netted $30 million.

The finance unit also made two Eurodollar offerings, a three-year deal carrying an 8% coupon and a five-year deal carrying a 7.25% coupon, that together brought proceeds of $303 million.

General Telephone-California, General Telephone-Pennsylvania and General Telephone of Wisconsin all brought 40-year issues that carried coupons of 9.38%, 8.88% and 8.5%, respectively.

GTE, late in the year, authorized purchase of up to 10 million common shares in an anti-takeover move following reports that a buyer was accumulating company stock. The company also announced plans to increase the number of authorized common shares to 750 million from 280 million, reduce the par value to 10 cents a share from $3.33⅓ and split its common stock on the basis of three shares for two.

Five underwriters were selected to lead manage two or more issues in 1986: Morgan, Stanley & Co.; Shearson Lehman Brothers Inc.; PaineWebber; Dean Witter Reynolds Inc.; and First Boston Corp.

Underwriters that served as lead managers on one deal for GTE last year were: E.F. Hutton & Co.; Salomon Brothers Inc.; Goldman, Sachs & Co.; S.G. Warburg & Co.; Dillon, Read & Co.; Soditic; and Daiwa Securities.

## Pacific Gas & Electric

Total financing.....$1,657,188,000
Public offerings:
Debt.....$1,657,188,000
No. of issues.....9
Key underwriters.....Morgan Stanley, Goldman Sachs, First Boston

SAN FRANCISCO — Pacific Gas & Electric Co. issued $1.7 billion in first and refunding mortgage bonds with coupons that ranged from 8.125% to 10.5% in 1986. Proceeds from the nine issues were used to redeem existing debt obligations or preferred stock, finance additions to utility plants and fund general corporate activities.

The debt with the lowest coupon, issued in December and due in 1997, raised $149 million in a deal priced at 99.6% to yield 8.183% to maturity. The highest coupon bond, due 2019, brought proceeds of $196 million in a deal priced at 98.2% to yield 10.699%.

Of the total issued, $1.1 billion replaced outstanding bonds with interest rates ranging from 10.7% to 15.375% and another $243.2 million replaced 9.1 million shares of redeemable preferred stock ranging from 4.36% to 17.38%.

Reacquisition of $1.8 billion of outstanding bonds produced a $325 million loss, which will be amortized over the life of the bonds replaced. The buyback of the preferred stock created an $11.2 million net gain that was credited to shareholders equity.

In addition to issuing taxable debt, PG&E offered $360 million in variable-rate, tax-exempt bonds to finance pollution control, solid waste disposal and waste disposal facilities used by the company. The interest rate on the 30-year bonds fluctuates daily, but the initial rate was set at 4%.

Morgan Stanley & Co., Goldman, Sachs & Co. and First Boston Corp. served as the lead managers in the first and refunding mortgage bond transactions. Goldman served as lead manager for two of the three series of tax-exempt bonds while Kidder, Peabody & Co. held that position for the third.

## NYNEX Corp.

Total financing.....$1,223,750,000
Public offerings:
Debt.....$1,223,750,000
No. of issues.....3
Key underwriters.....Salomon Brothers, Morgan Stanley, Merrill Lynch

NEW YORK — NYNEX Corp., through its New York Telephone and New England Telephone units, launched three debt offerings in 1986 that were used to redeem existing higher-rate liabilities.

New England Telephone in February issued 40-year 9% debentures that raised $347 million for the company. Proceeds from the offering were used to repurchase $300 million of 37-year 12.2% debentures due 2017 and $18.4 million of its 37-year debentures 15¼% debentures due 2018.

New York Telephone raised $440 million in April by selling 8¾% debentures due 2023. Proceeds from the offering were applied to repurchase $221 million of 40-year 11% debentures due 2023 and $156.1 million of 40-year 12¼% debentures due 2024.

In addition, New York Telephone raised $436 million in a 38-year 8⅝% debenture issue due 2024. Proceeds were applied to the redemption of $300 million of 39-year 11⅝% debentures due 2019, $49.6 million of 10-year 14⅛% notes due 1991 and $30 million of 40-year 15⅝ debentures due 2021.

## Southern California Edison Co.

Total financing.....$1,211,725,000
Public offerings:
Debt.....$1,211,725,000
No. of issues.....6
Key underwriters.....First Boston, Salomon Brothers, Morgan Stanley

ROSEMEAD, Calif. — Southern California Edison sold commercial paper, tax-exempt pollution control obligations and taxable debt in a refinancing program that resulted in the retirement or redemption of $1.795 billion of existing debt in 1986.

Since 1984, the company has issued more than $2.7 billion in debt, mostly to refinance higher cost liabilities. Southern California Edison saved more than $70 million in yearly interest costs as a result of the refinancing.

The company raised $1.2 billion of long-term debt in the taxable market in 1986. Southern California also sold $313 million of commercial paper and two tax-exempt deals with a total principal amount of $204 million.

Taking advantage of a rally in the bond market, the company in August got its lowest coupon of the year, 7¾%, in a 10-year first and refunding mortgage bond issue that raised $198 million. The bonds sold at a price of 98.4% of the principal amount, resulting in a 7.985% annual cost — the lowest to the company in 1986.

In February, Southern California Edison announced its lowest cost long-term financing since 1977 when it sold 30-year bonds bringing proceeds of $299 million at a 9¼% coupon. The first and refunding mortgage bonds were sold at 99.099% of principal amount, resulting in a 9.34% annual cost for the company.

Because of strong market demand and attractive interest rates, Southern California Edison brought this issue to market a week earlier than expected while increasing the size of the offering by $100 million.

Proceeds from the issue were to fund a construction program as well as to refund high-coupon debt.

In other borrowings in March and April, the company tapped the capital markets for 32- and 33-year issues at an 8⅝% coupon. Those two issues raised $397 million. A 10-year issue in June carrying an 8% coupon brought the company $198 million.

The company's cost of borrowing edged up in November when it

issued its most discounted offering of the year: a 31-year $119 million first and refunding mortgage bond that carried an 8¾% coupon. Priced at 95% of principal amount, the bonds produced an annual cost to the company of 8.85%.

### Long Island Lighting Co.

Total financing .....$1,204,304,000
Public offerings:
Debt .....$1,204,304,000
No. of issues .....5
Key underwriters ... Shearson Lehman, Dillon Read, First Boston, E.F. Hutton, PaineWebber

HICKSVILLE, N.Y. — The Long Island Lighting Co., drained by the stalled $4.9 billion Shoreham Nuclear Power Station, made five offerings in 1986 that allowed the company to restructure existing debt.

In April, the company raised $250 million in an offering of 11¼% general and refunding bonds priced at par and due 1996. At the same time, it raised $275 million in an offering of 11⅞% general and refunding bonds priced at par and due 2015.

Proceeds from the offerings were used to make permanent prepayments totaling $400 million on $1 billion of outstanding bank loans. The balance of the proceeds were slated for reimbursements to the company's treasury for expenditures related to utility plant construction and other corporate purposes.

At the time of the offerings, the company said it needed to sell the bonds and restructure the bank debt in order to meet $644 million of debt payments due in 1986.

The company later said its "financial viability had been stabilized" by increased revenue and the restructured bank debt.

LILCO went to the debt market again in November when it raised $679 million in three separate offerings. With the proceeds, the company redeemed $225 million of general and refunding bonds and repaid all accrued and outstanding amounts, estimated at $29 million, under a 19% promissory note. LILCO also used $130 million to call $100 million of general and refunding bonds due 2011.

The remainder of the proceeds, about $297 million, was used to reimburse the company's treasury for construction of utility plant and other corporate purposes.

LILCO remains troubled because the Nuclear Regulatory Commission so far has declined to grant a license allowing commercial operation of the Shoreham plant.

Shearson Lehman Brothers Inc. served as lead manager for all of LILCO's offerings in 1986. The co-managers for all the offerings consisted of Dillon, Read & Co. Inc., First Boston Corp., E.F. Hutton & Co. Inc. and PaineWebber Group Inc.

## Natural resources

### Occidental Petroleum

Total financing .....$2,477,803,000
Public offerings:
Debt .....$2,477,803,000
No. of issues .....4
Key underwriter..... Drexel Burnham

LOS ANGELES — Occidental Petroleum Corp. hit the market hard March 21, 1986, with a $2.5 billion batch of debt offerings which company officials called the largest for an industrial company.

It was to have offered $1.5 billion, but said it added another $1 billion because of investors' favorable response to the offerings.

The largest issue raised $990 million in 11¾% senior debentures due 2011. The offering also consisted of $595 million senior notes due 1991 carrying a 10% coupon, $594 million senior notes due 1996 carrying a 10⅞% coupon and $298 million senior notes due 1993 carrying a 10½% coupon.

Proceeds from the issue were principally used to reduce floating rate indebtedness resulting from the 1986 acquisition of the MidCon Corp.

Drexel Burnham Lambert Inc. served as lead underwriter in all company offerings.

Drexel was joined by First Boston Corp. and Salomon Brothers Inc. in one deal, while co-managers in the other three deals were Donaldson, Lufkin & Jenrette Securities Corp., Kidder Peabody & Co. Inc., Shearson Lehman Brothers Inc. and Dean Witter Reynolds Inc.

### Atlantic Richfield Co.

Total financing .....$1,298,513,000
Public offerings:
Debt .....$1,298,513,000
No. of issues .....5
Key underwriters ....Salomon Brothers, First Boston

LOS ANGELES — Atlantic Richfield Co., in a program to repurchase company stock, tapped the dollar and Eurobond markets in five issues in 1986. The company also used the proceeds for general corporate purposes and the retirement of maturing debt.

The company repurchased 79.2 million of its common shares for $4.5 billion in a program that began in 1984 and ended at the beginning of last year.

Arco, a victim of depressed oil prices, has sought to restructure its operations by selling unprofitable businesses and focusing on the hydrocarbon business.

Arco's entry into the capital markets last year began in February with a domestic public offering that raised $250 million. The 9¼% notes, priced at 99.9% to yield 9.27% to maturity, mature in 1993.

Later that month, Arco launched a seven-year 9⅛% $200 million Eurobond offering. The non-callable notes were priced at 99.75%.

The company returned to the U.S. market a few days later with 30-year debentures that carried a 9⅞% coupon in a $450 million deal. The non-callable debentures were priced at 99.875% to yield 9.89% to maturity.

Another debenture deal in March raised $297 million and carried a 9.125% coupon. The 25-year non-callable debentures were priced at 99% to yield 9.23% to maturity.

The company raised $103 million later in March when it offered 10-year yen notes with a 6⅛% coupon that were priced at 100⅞% to yield 6%.

Also in March, Arco announced a public offering on a continuing basis of $200 million third-series medium-term notes due from more than nine months to 10 years from date of issue. Salomon Brothers Inc., First Boston Corp. and Shearson Lehman Brothers Inc. were the agents for these notes.

Salomon Brothers and First Boston are Arco's investment bankers in domestic market deals. S.G. Warburg & Co. and LTCB International Ltd. managed the international offerings.

### Standard Oil Co.

Total financing .....$1,138,751,000
Public offerings:
Debt .....$1,138,751,000
No. of issues .....9
Key underwriters.....varied

CLEVELAND — Standard Oil Co. in 1986 issued U.S.-dollar


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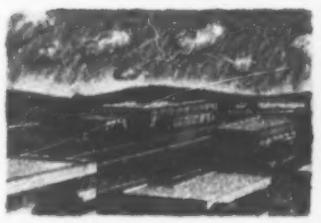

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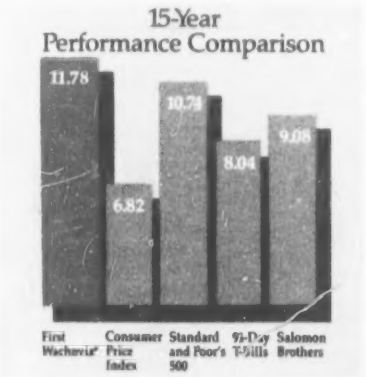



*Net of management fees

FIRST WACHOVIA

debt hedged against the price of oil and Swiss-franc debt hedged against the price of gold while becoming the first U.S. industrial company to sell dollar debt in the Japanese capital markets.

Debt issued last year, along with $400 million of asset sales, enabled the company to implement a debt retirement program that eliminated $1.3 billion of higher-cost liabilities.

The company's debt retirement program was expected by the company to produce an after-tax interest savings of as much as $15 million in 1987 and continued savings after that.

The company started 1986 with a 200 million Swiss franc offering in April that resulted in proceeds of $100 million at a coupon of 7½%.

If the issue isn't redeemed after 10 years, the coupon on this perpetual issue will be reset at 50 basis points below Treasuries.

Standard Oil estimates a savings of 50 basis points in the first 10 years of the issue.

Investors receive interest payments in U.S. dollars and the principal in Swiss francs.

If the Swiss franc appreciates against the U.S. dollar, a foreign exchange rate cap of 2.01 Swiss francs to $1 protects Standard Oil from currency risk at redemption. But if the Swiss franc depreciates, Standard Oil will gain because it will need fewer U.S. dollars to pay the principal.

After selling the Swiss franc debt, Standard Oil in May raised $100 million in a 10-year Eurodollar note offering. The 8% notes were priced at 100.125%.

The company switched away from traditional debt in June when it raised $299 million in debentures and oil-indexed notes.

Standard Oil sold $300 million of 6.3% deep-discount debentures due 2001 and one $37.5 million tranche of oil-indexed notes due 1990 and another of equal size due 1992. The debentures were priced at 74.7% while the notes were priced at 100%.

The company also hedged against raw material prices later in the year when in October it issued $92 million of Swiss franc notes with warrants to purchase 3.3 ounces of gold for $565.20 an ounce.

Standard Oil raised a total of $300 million in two separate offerings in August and September.

In another foreign-market deal, Standard Oil sold a $50 million 7⅛% issue due 1997 in Japan while at the same time selling the Japanese a 7⅛% 8 billion yen issue due 1994. Both issues, brought at the end of year, were priced at 101.375%.

The company's last domestic issue of the year resulted in proceeds of $148 million. The five-year issue, priced at 99.548%, carried a 7% coupon.

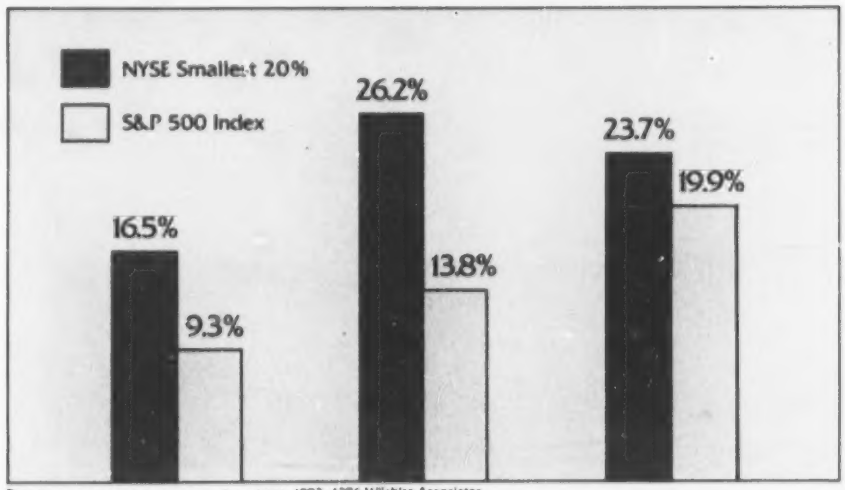
First Boston Corp., Merrill Lynch Capital Markets, Salomon Brothers Inc. and Shearson Lehman Brothers Inc. served as lead managers in Standard's domestic offerings.

In the international market, Standard tapped the services of Soditic, Nikko Securities (Europe), Morgan Guaranty (Switzerland) and Nomura Securities.

A medium-term note program started in December with a $350 million shelf registration resulted in less than $10 million dollars in medium-term notes issued in that year.

Shearson, Merrill Lynch and Salomon are the dealers in the medium-term note program.


# Check this Record!




Data Source: 1926-1981: Ibbotson Associates; 1982-1986 Wilshire Associates

Annualized Returns for Periods Ending 12/31/86

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### Chevron Corp.

| | |
|---|---|
| Total financing | $1,062,250,000 |
| Public offerings: | |
| Debt | $896,250,000 |
| No. of issues | 3 |
| Private placements | $166,000,000 |
| No. of issues | 1 |
| Key underwriters | Salomon Brothers, Merrill Lynch, Deutsche Bank |

SAN FRANCISCO — Chevron Corp. refinanced short-term floating-rate debt with about $900 million in fixed-rate obligations sold to the public in 1986.

The company also continued a debt reduction program funded by asset sales. A sale-leaseback of certain assets that generated $166 million was privately placed in a deal managed by Morgan Guaranty Trust Co.

Debt associated with the Gulf Oil Corp. merger was reduced by about $1 billion, mostly through asset sales.

In the U.S. public markets, Chevron sold 10-year 8¾% notes, priced at 99.625%, that drew proceeds of $299 million.

The other U.S. deal raised $296 million in 30-year sinking fund debentures that were priced at 98.625% and carry a coupon of 9.375%.

Chevron ventured into the Eurodollar market in a 10-year $302 million notes issue priced at 100.5% and carrying an 8¼% coupon.

Selling assets to reduce short-term debt and refinancing with medium- and long-term debt enabled the company to benefit from lower commercial paper and long-term rates.

Salomon Brothers Inc. and Merrill Lynch Capital Markets co-managed Chevron's two U.S. public offerings; Deutsche Bank managed the Eurodollar offering; and Morgan Guaranty arranged the sale-leaseback.

### Coastal Corp.

| | |
|---|---|
| Total financing | $1,009,197,000 |
| Public offerings: | |
| Debt | $980,120,000 |
| No. of issues | 3 |
| Private placements | $29,077,000 |
| No. of issues | 1 |
| Key underwriters | Drexel Burnham, Royal Bank of Canada (Suisse) and Banc Paribas (Suisse) |

HOUSTON — Coastal Corp. extended the maturities of its liabilities and reduced exposure to variable interest rates in a refinancing program that affected more than $1 billion of debt.

Some $600 million in outstanding subordinated exchangeable variable-rate notes due 1994 were exchanged for 8.48% subordinated notes due 1991. The company is expected to realize an interest rate savings of 1.5% on the debt as a result of the exchange combined with related interest rate swap agreements.

In February, Coastal completed a private placement of a five-year Swiss franc notes offering that carried a 6% coupon. The deal, which raised $30 million, allowed the company to retire higher-rate debt. A public Swiss franc offering of bonds a month later gave Coastal proceeds of $80 million.

The company launched a major financing in June when it raised $876 million in two debt offerings: $500 million of 11¼% senior notes due 1996 and $400 million of 11¾% senior debentures due June 2006. Both securities, offered at 100% plus accrued interest from June 15, were used to retire bank debt having variable interest rates and shorter maturities.

Coastal completed the purchase of 1 million shares of preferred stock in September as part of a program to replace higher-rate debt and preferred. Three million shares of preferred were issued in 1985 in connection with the merger with American Natural Resources Company; 984 million preferred shares are outstanding.

Drexel Burnham Lambert Inc. underwrote Coastal's domestic offering; Royal Bank of Canada (Suisse) and Banc Paribas (Suisse) handled the Swiss franc deals.

## Retail

### Safeway Stores Inc.

| | |
|---|---|
| Total financing | $1,203,922,200 |
| Public offerings: | |
| Preferred | $45,000,000 |
| No. of issues | 1 |
| Debt | $1,050,833,000 |
| No. of issues | 3 |
| Private placements | $106,000,000 |
| No. of issues | 2 |
| Other | $2,089,200 |
| No. of issues | 1 |
| Key underwriter | Drexel Burnham |

OAKLAND, Calif. — Safeway Stores Inc., the largest retail company issuer, raised more than $1.2 billion in seven transactions in 1986 primarily because it was taken private in a leveraged buy-out late last year.

Kohlberg Kravis Roberts & Co. and Safeway management agreed to the $4.3 billion buy-out in midsummer, thwarting a hostile takeover attempt by Dart Group Corp., Landover, Md.

At the time, KKR acquired 73% of Safeway's 61.4 million shares outstanding for $69 a share, using cash generated from $2.7 billion in bank borrowings, $320 million in loans from KKR's limited equity partnerships and $130 million from the sale of Safeway equity interests to the KKR partnerships.

The remaining shares later were exchanged for 20-year junior subordinated debentures and warrants to buy, in the aggregate, 5% of Safeway common for $17.5 million if the company goes public again.

The junior subordinated debentures carry a 15% annual coupon through November 1988 and a 14½% rate thereafter. Interest payments during the first five years can be made in cash or additional junior subordinated notes.

Safeway raised more than $1 billion of its $1.2 billion in public and private financings in mid-November in order to repay the $320 million KKR loan and about $685 million of the bank financing.

The public offerings, solely managed by Drexel Burnham Lambert Inc., consisted of $750 million of 11¼% senior subordinated notes due 1996 and $250 million of 12% subordinated debentures due 1998. Another $45 million in net proceeds was raised through the offering of 450,000 shares of adjustable-rate cumulative exchangeable preferred stock with an initial quarterly dividend rate of 15¼% payable in cash or additional preferred.

In addition, $2.1 million was raised through the sale of limited

partnership interests in SSI Equity Associates L.P.

The partnership, formed by KKR, was set up to buy warrants giving the partnership the right through 2001 to purchase 13.9 million shares of Safeway stock for $2 a share. The warrants can be exercised for any combination of cash or the surrender of debt and preferred securities issued in connection with the buy-out.

The public offering went off without a hitch and was oversubscribed despite its untimely launch. Safeway came to market as the high-yield market was reeling from the Ivan Boesky insider-trading revelations and fears Drexel would be implicated in the scandal.

Safeway immediately announced plans to sell off assets, including its 130-store U.K. operation and its 20% stake in Australia-based Woolworths Ltd. to help cut the huge debt load incurred in the buy-out. The buy-out added $4.1 billion of debt to the $1.5 billion already on Safeway's books, while stockholders' equity fell to $130 million from $1.7 billion.

Prior to the buy-out, Safeway raised $50.8 million overseas in an April offering of bonds denominated in Swiss francs. Union Bank of Switzerland acted as lead manager on the deal.

Data supplied by IDD Information Services Inc., New York, also lists two private placements of notes totaling $106 million, arranged in late August through Citicorp. However, the private placements are believed to be part of the bank financing arranged at that time for the buy-out.

### Dayton Hudson Corp.

| | |
|---|---|
| Total financing | $998,350,000 |
| Public offerings: | |
| Debt | $998,350,000 |
| No. of issues | 7 |
| Key underwriters | Goldman, Sachs, Salomon Brothers, Swiss Bank |

MINNEAPOLIS — Dayton Hudson Corp. raised almost $1 billion in the U.S. and Eurodollar markets in 1986, ultimately using part of the proceeds to refinance existing higher-cost debt.

In September, the company called in $256 million of long-term debt at a premium for an estimated interest cost savings of $3 million annually. The debt repurchase resulted in an $18 million extraordinary charge in the third quarter.

The diversified retail company, which ranked second among the top five issuers in the retail industry, raised $895 million in the U.S. market through five debt offerings and another $203 million in two Eurodollar transactions.

Tapping into the lower interest rate environment in the United States, Dayton Hudson relied on basic fixed-rate debt financings.

In its first deal in late February, the company raised $100 million in a February offering of 9¼%, 20-year debentures priced at 99¾ to yield 9.278. It followed in April with a $100 million offering of three-year notes carrying a 7⅞% coupon. The deal was priced at 99.7 to yield 7.92%.

After a summer hiatus, Dayton returned to the U.S. arena to issue in September $150 million of 8⅜% notes due 1996 at 99.6 to yield 8.435%. In that deal, the company used a hedge to lock in its rate several weeks earlier, then waited for Treasury market volatility to calm before offering the notes. The company's final U.S. transactions in October and November were both 30-year sinking fund debentures.

The October deal totaled $200 million and consisted of 9.5% bonds priced at 99 to yield 9.6%. The offering came concurrently with a $100 million issue of 8¼% seven-year Eurodollar notes, which were offered at a premium of 101.

The $250 million deal in November carried a 9¼% coupon and was priced at 99.5 to yield 9.3%.

Dayton completed another Eurodollar deal in December to net another $101.8 million before year end.

Financing proceeds were targeted to meet capital expenditure and working capital requirements related to its expansion and store remodeling efforts in addition to being used for debt refinancing.

This year the company has continued to reduce high coupon debt. In January it redeemed outstanding principal of a number of existing issues including a $57 million portion of 14¾% sinking fund debentures due 2012 and a $34 million portion of 11¼% debentures due 2015.

Managing underwriters of its 1986 domestic deals were Goldman, Sachs & Co. and Salomon Brothers Inc. Swiss Bank Corp. International led underwriters on the Eurodollar deals.

### Anac Merger Corp. and Anac Holding Corp.

| | |
|---|---|
| Total financing | $918,770,000 |
| Public offerings: | |
| Preferred | $130,020,000 |
| No. of issues | 1 |
| Debt | $703,750,000 |
| No. of issues | 3 |
| Private placements | $85,000,000 |
| No. of issues | 1 |
| Key underwriter | Salomon Brothers |

TWINSBURG, Ohio — Anac Merger Corp. and Anac Holding Corp. raised almost $919 million through the issuance of high-yield debt and preferred stock in December to help take Revco D.S. Inc. private in a $1.25 billion management-led buy-out.

The financings made the newly private drug store operator the third largest issuer in the retail industry — an industry where the most active capital raisers were leveraged buy-out driven.

Just more than $700 million of the total constituted public offerings of junk bonds. Of that, $400 million was raised with the sale of 13⅛% senior subordinated notes due 1994 and $210 million from the offering of 13.3% subordinated notes due 1996. Both issues were priced at par.

In addition, Anac raised almost $94 million through a units offering, each consisting of a 13.3%, 15-year junior subordinated note plus four common shares and four common stock puts. The units were priced at $1,000.

The common shares reflect a financing strategy being used more frequently in leveraged buy-out transactions. The slivers of common equity continue to trade publicly for the otherwise private companies, providing a means of valuing the owners' investment in the company and receiving a market reading on management's streamlining efforts of the company.

Aside from the debt offerings, Anac issued 7.88 million shares of 15¼% cumulative exchangeable preferred stock for $130 million. Another $85 million of convertible preferred was placed privately with J.P. Morgan Investment Management and New York Life Insurance Co.

The remaining financing for the buy-out represented senior bank debt.

Stockholders approved the buy-out in December, ending a lengthy process that began in March 1986 when Revco management offered $1.16 billion, or $33 a share, to take Revco private. A committee of outside directors recommended increasing the offer, with Revco's board accepting a $38.50-a-share sweetened bid in August.


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The company is owned directly or indirectly by about 35 members of Revco management, Transcontinental Service Group in London, J.P. Morgan, New York Life and Salomon Brothers Inc., which was sole manager of the stock and preferred offerings.

### Eckerd Holdings Inc.

| | |
|---|---|
| Total financing | $673,047,000 |
| Public offerings: | |
| Debt | $436,047,000 |
| No. of issues | 2 |
| Private placements | $237,000,000 |
| No. of issues | 2 |
| Key underwriter | Merrill Lynch |

LARGO, Fla. — Eckerd Holdings Inc., the fourth largest retail issuer of 1986, raised $673 million in debt and equity last year, generating part of the assets needed to complete the leveraged buy-out of Jack Eckerd Corp. by investors led by management and Merrill Lynch Capital Partners.

The majority of the financing — $436 million — stemmed from the public offering of high-yield securities: a zero-coupon hybrid issue originally aimed at Eckerd shareholders and a 15-year subordinated debenture offering that had been slated as a private placement among investors led by Prudential Insurance Co.

Eckerd issued $345.2 million of 20-year discount subordinated debentures at 53.9% for net proceeds to the company of $186.8 million. The securities carry a zero coupon for five years and provide a 12¾% effective yield during that time and a 13% fixed rate thereafter. It netted $250 million from the $290 million offering of the 11⅛% 15-year subordinated debentures priced at 89.25% to yield 12¼%.

Another $237 million was generated through private placements of equity and debt, including a $75 million placement of preferred stock.

Senior bank loans provided the remaining funds needed for the $1.35 billion buy-out.

Shareholders initially were supposed to be paid $28 in cash and $5 in the discount subordinated debentures for each of their 35.8 million shares outstanding. Eckerd decided to sell the bonds in a public offering and use the proceeds to help pay all cash for stockholders' shares because of concerns the high-yield securities might be deemed equity rather than debt for accounting and tax purposes.

The five-year zero feature and the possibility future interest payment could be curtailed if Eckerd fell short of financial performance objectives required by the bank lenders created the possibility the securities would have to be treated as equity.

The last-minute change regarding the discount subordinated bonds led to the public offering, rather than private placement, of the 15-year debentures. The change made the five-year zeros senior to the 15-year securities, making those securities less palatable to the private investors.

Eckerd is launching cost-cutting measures and asset sales to meet bank debt requirements and reduce leverage stemming from the buy-out. Its total outstanding debt climbed to $1.2 billion as a result of going private, up from $94 million previously.

### J.C. Penney Co.

| | |
|---|---|
| Total financing | $491,250,000 |
| Public offerings: | |
| Debt | $491,250,000 |
| No. of issues | 3 |
| Key underwriter | First Boston |

NEW YORK — J.C. Penney & Co. took advantage of the low interest rate environment to raise almost $500 million in the U.S. debt market in 1986, making it the fourth largest retail company issuer in the capital markets last year.

It also was one of two top retail issuers whose financing for the year was not acquisition related.

Penney dipped into the market for the first time last year in the last week in February — a week when the sharp drop in bond yields led U.S. issuers to raise $5.1 billion through predominantly traditional, fixed-rate debt offerings.

Its deal was for $150 million and consisted of 30-year sinking fund debentures priced at par and carrying a 9⅛% interest rate.

The company returned to the markets in July with a second 30-year sinking fund issue for $200 million. The offering of 9% bonds, which was priced at 96, netted the company $192 million.

Penney shortened up on the maturity for its final deal of the year, a $150 million offering of 8¾% notes due in 1996. The deal, priced at 99.5, generated $149.3 million in net proceeds.

The company indicated that all transactions for the year would be earmarked for general corporate purposes, including working capital and the repayment of outstanding borrowings.

First Boston Corp. was sole manager for all three transactions.

## Transportation

### Texas Air Corp.

| | |
|---|---|
| Total financing | $1,030,330,000 |
| Public offerings: | |
| Common stock | $332,590,000 |
| No. of issues | 2 |
| Preferred | $146,040,000 |
| No. of issues | 1 |
| Debt | $200,000,000 |
| No. of issues | 2 |
| Private placements | $351,700,000 |
| No. of issues | 18 |
| Key underwriters | Drexel Burnham, PaineWebber |

HOUSTON — The highly acquisitive Texas Air Corp. raised more than $1 billion in public- and private-market transactions in 1986, topping other companies as the most active issuer in the transportation industry.

The industry as a whole witnessed tremendous consolidation through acquisitions during the year, with all of the five largest issuers being involved in one acquisition or another. But Texas Air was clearly the most acquisitive as it sought to conclude an expansion drive that would give it control of the nation's largest airline network.

The company acquired Eastern Air Lines for $660 million, paying $6.25 a share in cash and $3.75 in cumulative junior preferred for the airline's outstanding shares. For $300 million in stock, notes and a little cash, it purchased the beleaguered Peoples Express Inc. and assets of People's subsidiary, Frontier Airlines.

In addition, Texas Air entered into an agreement last year to buy the remaining publicly held shares of Continental Airlines Inc., already under the Texas Air fold, for $186 million.

The airline's almost $680 million in public markets financings helped Texas Air build up cash to pay, in part, for its acquisition activity. The financings also were designed to bolster the highly leveraged company's financial underpinnings to facilitate the acquisitions as well as its commitments for the purchase of additional aircraft.

As a result, Texas Air raised almost $480 million in three stock deals that sought to expand the company's equity base.

It raised $142.6 million in May through the public sale of 4.6 million shares of common at $32.25 a share. The deal proved a popular one among investors; original plans had called for the sale of 2.5 million shares.

In July, the airline raised another $146 million with a six million share offering of 6¾% cumulative convertible junior preferred. The stock, priced at $25 a share, is convertible into common at a conversion price of $37.50 a share.

The company returned to the common stock market in October, issuing five million shares of common at $38 each for a total of $190 million.

Texas Air also added to its equity base during the year through the redemption and conversion of outstanding convertible issues and the exchange of some senior debt obligations for common stock.

Texas Air's remaining two public offerings for the year were for debt. It issued $100 million each of 12½% senior increasing-rate extendible notes due 1991 and 14¼% senior notes due 1993 in February. Both issues were priced at par.

Giving effect to these transactions as well as to Texas Air's acquisitions for the year, the company's pro forma long-term debt and lease obligations as of June 30 would have stood at $4.5 billion or 79% of its total $5.7 billion capitalization. Without accounting for these transactions, debt and lease obligations totaled $1.3 billion or 81.3% of a $1.6 billion capitalization.

Texas Air's remaining financings for the year were lease-related private placements. The company, starting in 1986, was committed to acquire, by purchase or lease, aircraft with a value of more than $1 billion.

IDD Information Service Inc., New York, reported $350 million in lease-related transactions for Texas Air for the year. It could not be determined by press time if this represented all of the company's 1986 activity in this area.

Drexel Burnham Lambert Inc. acted as lead manager for Texas Air's public offerings during the year. Kidder, Peabody & Co., Merrill Lynch Capital Markets and Smith Barney, Harris Upham were co-managers. PaineWebber was the placement agent on private placements.

### Trans World Airlines

| | |
|---|---|
| Total financing | $879,700,000 |
| Private placements | $879,700,000 |
| No. of issues | 4 |
| Key underwriter | Drexel Burnham |

NEW YORK — Trans World Airlines dipped into the private placement arena to raise almost $663 million in debt in 1986. It also netted another $217 million through the sale-leaseback of aircraft.

These transactions put the company second among issuers in the transportation industry.

The $663 million in private debt financing was raised in February and March of 1986 and included $312.7 million in two issues of equipment trust certificates and $350 million in senior increasing-rate extendible notes.

Almost $213 million of the former represents 10-year certificates with a 14¼% coupon. Another $100 million came from the placement of 13¾% equipment trust certificates due in 1991.

The certificates are secured by a pool of 44 aircraft and 71 related spare engines, with title to the equipment reverting to TWA at maturity of the certificates.

The $350 million increasing-rate extendible notes, also issued in February, mature quarterly, with TWA having the option to extend the maturity for another quarter up until Feb. 1, 1991. The initial rate on the securities was 12.93%; however, their terms call for the rate to increase by 50 basis points for the first four quarters after issuance and by 25 basis points for every quarter thereafter.

All the securities were placed at par and carried public registration rights. As a result the securities have been trading publicly since last spring.

Drexel Burnham Lambert Inc. was the placement agent on the deals. At the end of the year, TWA purchased $100 million of the extendible notes in the open market.

Proceeds from the transactions were targeted for general corporate purposes, including acquisitions.

And shortly after the placement of much of the securities, TWA agreed to buy Ozark Air Lines, St. Louis, for $237 million in cash — a deal that was completed in September. In addition, TWA cash coffers were cited as one source of funds for TWA Chairman Carl Icahn's ill-fated attempt to take over USX Corp.

Following the Ozark acquisition, TWA entered into a sale-leaseback arrangement involving 35 used aircraft that previously had been owned by Ozark. TWA sold the planes to Polaris Aircraft Leasing Corp. and two Polaris affiliates and then leased them for terms of five to six year.

Some of the funds generated from the transaction were used to pay down outstanding debt. After accounting for that, the airline netted $217 million in cash from the transaction.

Additional cash was generated through the roughly $140 million sale of 50% of TWA's computerized reservation system last year to NWA Inc., the parent of Northwest Airlines. Payment included $120 million in cash and $20 million in notes.

### AMR Corp.

| | |
|---|---|
| Total financing | $842,941,000 |
| Public offerings: | |
| Debt | $398,969,000 |
| No. of issues | 3 |
| Private placements | $443,972,000 |
| No. of issues | 11 |
| Key underwriters | varied |

FORT WORTH, Texas — AMR Corp. raised $843 million in the public and private markets in 1986 to rank second among the top five transportation issuers.

The airline generated almost $400 million for general corporate purposes in three public transactions, one of which was launched overseas.

American Airlines, of which AMR is the parent, opened the company's financing activities in March with a $200 million units offering of subordinated debt and warrants. The company issued 200,000 units, each priced at $1,000 and consisting of one 10-year subordinated debenture carrying a 6¼% coupon and one warrant to buy AMR stock at $61.77 per share through March 1996. The conversion price provided an implicit 25½% conversion premium over the $49-per-share trading price of AMR at the time of the offering.

American chose the equity-linked deal because of the strong performance of the parent's stock. But the company got much cheaper financing as well, saving an estimated 300 basis points on the interest on the debentures. A straight-debt offering at the time would have carried an interest rate of more than 9%.

AMR reaped significant savings in April as well when the parent raised $102.2 million with a 200 million Swiss franc deal issued overseas. The 15-year securities carried a 5¼% coupon payable in Swiss francs. AMR hedged its currency exposure on the deal through a swap arrangement that gave the company a fixed-rate borrowing cost of 8.14%. That represented an estimated 50 to 75 basis points savings over what AMR would have had to pay at the time on a comparable offering in the United States.

In May, AMR officials thought interest rates had hit their secular low. On that premise, the company sold 100,000 warrants to Goldman, Sachs & Co. The warrants entitle Goldman to purchase $100 million of 9.1% 30-year debentures. AMR received $5 million for the debt warrants, which are good until May 1989. If the warrants are exercised and AMR has to issue the bonds, AMR's effective borrowing cost would be about 8½%, taking into account the $5 million proceeds from the warrants sale.

AMR had planned to launch a 30-year bond offering concurrently with the warrants sale, but delayed the $100 million offering when the bond market went to the doldrums.

It issued the 9% bonds in September at 96.8% to yield 9.32%. Net proceeds to AMR were just less than $97 million.

ing activities in 1986 were contained in the private placement arena and were lease-related. American Airlines financed the purchase of 20 aircraft through a number of leveraged lease transactions in the United States, United Kingdom and Japan.

Investment bankers leading the airlines deals last year included Morgan Stanley & Co. Inc., Salomon Brothers Inc. and Merrill Lynch Capital Markets.

### Delta Air Lines

| | |
|---|---|
| Total financing | $681,595,000 |
| Public offerings: | |
| Debt | $297,495,000 |
| No. of issues | 2 |
| Private placements | $384,100,000 |
| No. of issues | 3 |
| Key underwriters | Goldman, Sachs, Citicorp |

ATLANTA — Delta Air Lines raised $682 million in the public and private markets in 1986, ranking it third among issuers in the transportation arena.

May 8, the date of its first offering, was a day when the bond market reacted negatively to the Federal Reserve System's report of an unexpected surge in the money supply, while the Treasury Department's auction of $9 billion of 30-year bonds met with strong bidding by dealers and investors.

The airline offered $300 million of notes and debentures through underwriters led by Goldman, Sachs & Co. The issues consisted of $150 million of 8¼% notes due 1996 and $150 million of 9% debentures due 2016.

The notes were priced at 99.33% to yield 8.35%, while the debentures came to market at 99% to yield 9.098%. Net proceeds to Delta totaled $297.5 million and were tagged for general corporate purposes.

Delta last year responded to the industry's consolidation trend with a merger of its own, agreeing to acquire Western Air Lines Inc. in Los Angeles for $860 million.

The company also agreed to buy as many as 80 aircraft from McDonnell Douglas Corp. at an inflation-adjusted cost expected to reach $2 billion. Deliveries will be made through 1992.

The remaining $384 million in Delta financings consisted of leasing transactions for aircraft purchases. The deals were arranged through the private markets, with Citicorp acting as private placement agent.

### Eastern Air Lines Inc.

Total financing ..... $579,000,000
Private placements ..... $579,000,000
No. of issues ..... 4
Key managers Drexel Burnham, Merrill Lynch

MIAMI — Eastern Air Lines Inc.'s 1986 financing activities focused on the private placement market, where the company raised $579 million in four transactions in December.

The bulk of that — $500 million — was earmarked to help pay for the $660 million acquisition of Eastern by Texas Air Corp. as well as for general corporate purposes and retirement of outstanding debt.

The private financing, managed by Drexel Burnham Lambert Inc. and Merrill Lynch Capital Markets, consisted of three tranches: $200 million of seven-year, first-priority security equipment trust certificates; $200 million of 10-year, second-priority equipment trust certificates; and $100 million of 15-year, third-priority certificates.

The private certificates were secured by used Eastern aircraft, which had liens against them from creditors. Those creditors released the aircraft from the liens upon repayment of debt.

The proceeds from the private placements were earmarked for distribution roughly as follows:

About $110 million was slated for payment of the Eastern merger with Texas Air, with $130 million going toward related expenses involving special consents, amendments and redemptions of some debt and preferred stock. About $120 million was to be directed toward retirement of existing debt, and $140 million in remaining cash was targeted for working capital.

In addition to the $500 million transaction, Eastern completed one additional private placement in December. The $79 million deal consisted of secured notes and Merrill Lynch was the agent.

Texas Air completed its acquisition of Eastern in December, despite efforts by union members to thwart the merger. The deal paid Eastern shareholders $10 a share, $6.25 in cash and $3.75 in subordinated debentures.

## Rail/shipping

### Burlington Northern Inc.

Total financing ..... $872,556,000
Public offerings:
Debt ..... $872,556,000
No. of issues ..... 4
Key underwriters ..... Morgan Stanley, Salomon Brothers

SEATTLE — Burlington Northern Inc. used its proceeds from four debt issues to fund general corporate activities and to retire a portion of the 15% debentures issued by a company acquired by Burlington in 1983, El Paso Natural Gas Co.

Burlington Northern, a company primarily engaged in the transportation and natural resources businesses, made a 10-year 9⅜% notes offering of $300 million in February. The company followed that in April with a $200 million issue of 9% debentures due 2016.

In October, Burlington Northern Railroad Co., a subsidiary, issued $275 million of consolidated mortgage 9¼% bonds due 2006, while El Paso in the same month issued $100 million of 9⅛% debentures due 2011.

The company redeemed about $457 million of preferred stock in 1986.

Morgan Stanley & Co. and Salomon Brothers Inc. are Burlington's underwriters.

### CSX Corp.

Total financing ..... $844,800,000
Public offerings:
Debt ..... $844,800,000
No. of issues ..... 4
Key underwriters ... First Boston, Merrill Lynch, Morgan Stanley, Salomon Brothers

RICHMOND, Va. — CSX Corp. tapped the capital markets for long-term debt needed to finance the $804 million acquisition of Sea-Land Corp., the largest U.S.-flag container-shipping company. CSX spent an additional $79 million investing in other enterprises.

Formed in 1980 from the merger of the Chessie System Inc. and Seaboard Coastline Industries Inc., CSX now operates transportation, energy, technology and properties units.

CSX raised $245 million in June by selling 9½% sinking fund debentures due 2016 that were priced at 98% to yield 9.71% to maturity.

The next month it returned to the capital markets with an 8.4% 10-year note offering, priced at par, that raised $200 million. In August, CSX issued par-priced 20-year debentures that raised $300 million and carried a 9% coupon.

The last issue, in October, brought proceeds of $100 million through an 8¼% note offering that was priced at 99.8% to yield 8.28% to maturity.

First Boston Corp. served as the lead manager in all four deals. Merrill Lynch Capital Markets, Salomon Brothers Inc. and Morgan Stanley & Co traded places as co-managers.

A special section on leasing will be published June 15.

### Union Pacific Corp.

Total financing ..... $419,930,000
Public offerings:
Debt ..... $419,930,000
No. of issues ..... 4
Key underwriters .... E.F. Hutton, Merrill Lynch, Union Bank/Switzerland, First Boston

NEW YORK — Union Pacific Corp.'s biggest issue of the year was made in connection with the $1.2 billion acquisition of the Overnite Transportation Co.

Purchase of the trucking company was funded primarily by bank debt, part of which was refunded in December when Union Pacific raised $248 million in a 7⅛% notes offering. The 10-year notes were priced at 99.05%.

Commercial paper also was used to refinance the bank debt.

In another long-term financing, Union Pacific raised $100 million in a 10-year Eurodollar note issue, priced at 99¾%, that carried a coupon of 7⅜%. The company received $73 million by selling two issues of trust equipment certificates.

Almost 10.4 million of Union Pacific shares were bought back for $506 million in a program that authorizes the purchase of up to $1.2 billion worth of stock.

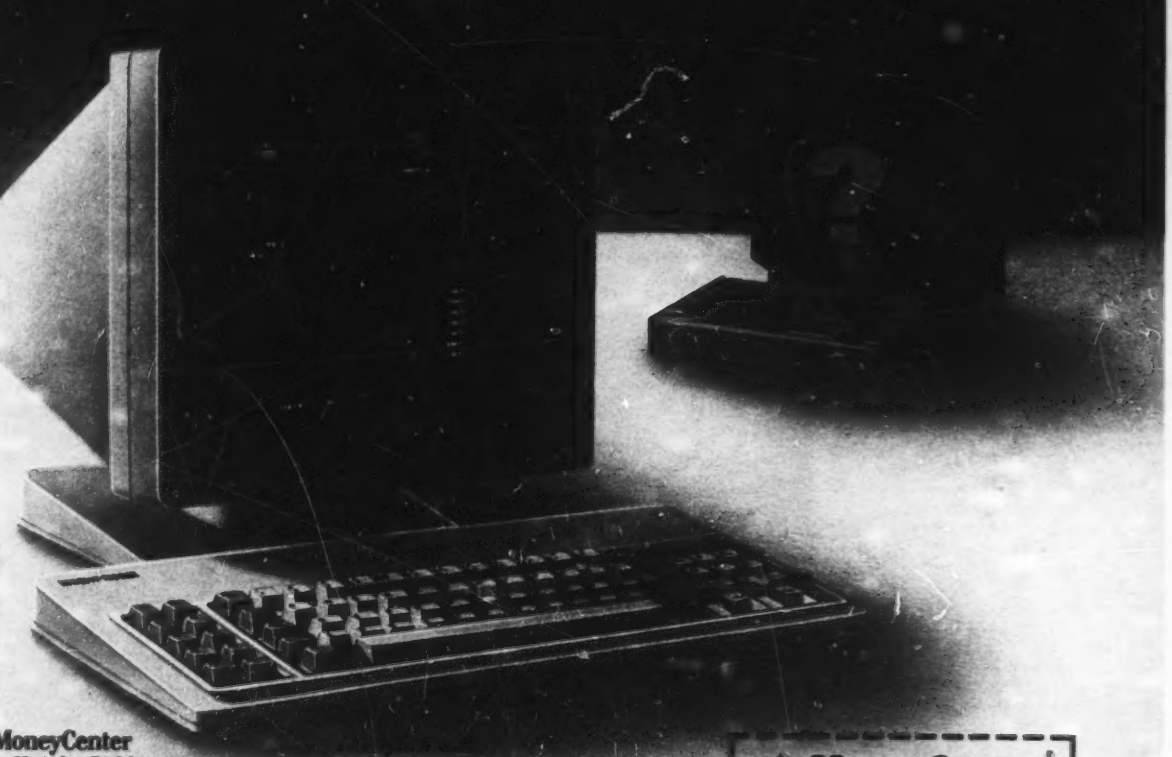
### American President Cos

Total financing ..... $200,000,000
Public offerings:
Debt ..... $200,000,000
No. of issues ..... 2
Key underwriters ..... Goldman, Sachs, Salomon Brothers

OAKLAND, Calif. — After using funds from cash flow and an equity offering to fund acquisitions in 1985, American President Cos. Ltd. in January 1986 raised $100 million by selling 10-year notes priced at par.

Proceeds from the debt offering


THE INTELLIGENT ALTERNATIVE TO TELERATE



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were to increase the transportation company's liquidity drained by the acquisitions.

In 1985, American President spent $60 million for National Piggyback Services Inc., National Piggyback Specialized Commodities Inc. and Intermodal Brokerage Services Inc. Transportation equipment costing $232 million also was funded from cash flow and the proceeds of a November 1984 equity offering.

In June, the company made an offering for $3.50 convertible exchangeable preferred stock that resulted in proceeds of another $100 million.

Proceeds were to be used to replace some of the company's ships and upgrade other pieces of equipment. Company officials announced in May the beginning of a $500 million capital expansion program that would be implemented over a two- or three-year period.

### Exxon Shipping Co.

Total financing .....$149,550,000
Debt .....$149,550,000
No. of issues .....1
Key underwriter.....Salomon Brothers

HOUSTON — Exxon Shipping Co., a wholly owned subsidiary of Exxon Corp., raised $149.6 million in the capital markets to provide permanent financing for the purchase of two oceangoing tankers.

The guaranteed debt securities, which come due Oct. 1, 2011, offer a 7½% coupon in effect until Oct. 1, 1993, when they are subject to a mandatory put at par plus accrued interest. The price to the public at issuance was 99.7%.

After the mandatory put date, the securities likely will be resold. The coupon after the put date will be determined by Exxon Shipping.

## Health care

### American Medical International Inc.

Total financing .....$640,085,000
Public offerings:
Debt .....$640,085,000
No. of issues .....6
Key underwriters ....Salomon Brothers, Goldman, Sachs

BEVERLY HILLS, Calif. — American Medical International ended a period of dependence on the capital markets with six issues that brought the company $640 million in 1986.

The company, which owns and operates hospitals in the United States and abroad, is ending its period of expansion in which debt made up the difference between spending and cash flow. A leaner, more focused AMI is expected to emerge.

In 1986, the company spent $813 million for the construction of new facilities and the expansion of existing ones. Assets generated from operations amounted to $477 million.

Some of the company's recent trips to Wall Street have been to refinance old debt. In July, for example, it sold $300 million in subordinated notes to reduce long-term debt by repaying bank lines of credit and commercial paper that totaled $410.6 in May 1986. A $100 million note due in 1989 carried a 9% coupon and was priced at par; a $200 million note carried a 9½% coupon and also was priced at par.

The company, in February, sold $65 million of sterling debt to repay short-term obligations in British currency.

AMI also made two notes offerings in January that netted almost $200 million. One $100 million issue due in 1991 carried a 9.625% coupon and was priced at 99.875%. The other issue, also $100 million, carried a 9¾% coupon and was priced at 99.35%.

In February, the company made a Eurodollar offering that brought $75 million in proceeds.

Goldman, Sachs & Co., Salomon Brothers Inc. and Dean Witter Reynolds Inc. acted as the company's underwriters in the domestic offerings.

The Long Term Credit Bank of Japan managed the Eurodollar offering and Barclays Bank, the sterling deal.

### Hospital Corp. of America

Total financing .....$496,875,000
Public offerings:
Debt .....$496,875,000
No. of issues .....3
Key underwriters ....Salomon Brothers, Morgan Stanley

NASHVILLE, Tenn. — Hospital Corp. of America used the $497 million it received from the debt market in 1986 to replace floating-rate with fixed-rate debt.

The company, which operates acute-care and psychiatric hospitals, started the year with a 9% debentures issue due 2016 that raised $149 million. The March offering was priced at 99¼%.

In April, the company issued 8% 10-year notes priced at par that raised $150 million.

The company's last issue of the year, offered in August, brought $198 million through the sale of seven-year 7⅛% notes priced at 99%.

The company began a stock repurchase program in November 1985 that authorized the repurchase of $350 million common shares. At the end of 1986, it had repurchased 9,092,122 shares of common stock at a price of $332.3 million.

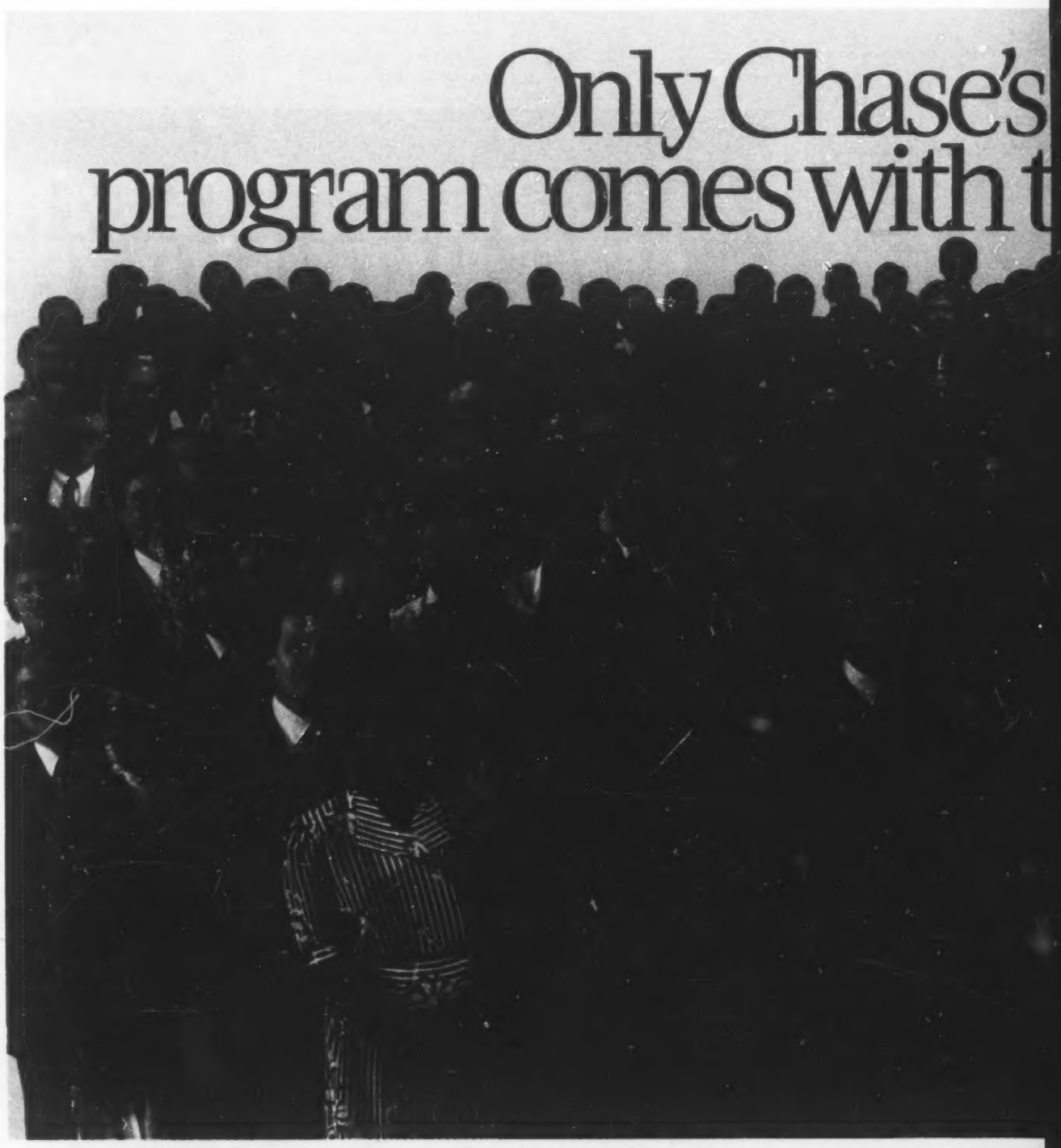
In October, Hospital Corp. and The Equitable Life Assurance Society of the United States formed Equicor-Equitable HCA Corp., a corporation in which each company has a 50% interest.

Equicor provides managed health care and other employee benefit products.

Hospital Corp. contributed cash and other net assets totaling $214 million to the joint project.

In 1986, the company made acquisitions and dispositions that resulted in a $1.6 million net gain.

Salomon Brothers Inc. served as the lead manager in two of the 1986 offerings; Morgan Stanley & Co. Inc. was lead manager in the third. Co-managers in the various offerings were Prudential-Bache Securities Inc.; Goldman, Sachs & Co.; Salomon, and Morgan.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## National Medical Enterprises Inc.

Total financing ..... $200,000,000
Public offerings:
Debt ..... $200,000,000
No. of issues ..... 1
Key underwriter ..... Merrill Lynch

LOS ANGELES — National Medical Enterprises Inc. in January sold Liquid Yield Option Notes to raise $200 million.

The LYONs, a product of Merrill Lynch Capital Markets, were sold to the public at 25% of the $800 million principal amount at maturity. The price to the public produces a yield to maturity of 7.5%, computed on a semiannual basis.

The LYONs are convertible into common stock at the holders' option at any time, unless the notes previously are redeemed or repurchased, at a conversion rate of 11.09 shares per note.

Proceeds from the notes will be used to repay outstanding debt and to fund general corporate activities.

National Medical Enterprises, the nation's second-largest health care-services company, started a stock repurchase plan in September. To date, 5,350,000 shares have been repurchased at a cost of $128 million. The company plans to repurchase up to 10 million of the 78 million shares outstanding.

Since midsummer, the company has sold eight acute-care hospitals and converted three to psychiatric or substance-abuse treatment centers.

National Medical plans to focus on treatment centers that specialize in psychiatric care, substance-abuse care and physical rehabilitation.

## Forum Group Inc., Forum Retirement Partners L.P., Forum Health Partners

Total financing ..... $198,750,000
Public offerings:
Debt ..... $100,000,000
No. of issues ..... 1
Private placements ..... $35,000,000
No. of issues ..... 1
Partnership offerings ..... $63,750,000
No. of issues ..... 1
Key underwriter ..... Drexel Burnham

INDIANAPOLIS — The Forum Group Inc. in August raised $100 million by selling 6¼% convertible debentures due 2011. Other entities related to Forum tapped the capital markets for an additional $99 million in 1986.

Forum Group Inc. develops and operates residential units for the affluent elderly.

In December, Forum Retirement Partners L.P. sold five million preferred depositary units to raise $64 million. The partnership was formed to own residential units developed by Forum. These properties are leased or managed by Forum Group Inc.

Forum Retirement Partners L.P. absorbed another entity created by Forum Group Inc., Forum Health Partners, which in January raised $35 million in a private placement to finance a mortgage for four residential centers. Forum Retirement Partners L.P. offered common units of the partnership to Forum Health Partners in exchange for their interests in four residential centers.

Forum Retirement Partners L.P. used $10.5 million of the offering and the issuance of common units to Forum Group Inc. for cash to purchase the Forum Group's two-sevenths participation in the first mortgage of Forum Health Partners.

About $4.5 million of the proceeds were applied to the purchase of a residential center from Forum Group Inc. Another residential center was to be acquired from Forum Group Inc. with $21 million of the proceeds.

First mortgage debt owed by an affiliate of Forum Retirement Partners L.P. was to be retired with $10.2 million of the proceeds. Almost $1 million of the proceeds were applied to purchase the limited partnership's interest in an affiliate. The balance is to be used to purchase additional properties and refinance mortgage indebtedness.

Proceeds from the convertible offering were used to repay debt and finance the purchase of other residential units.

## Maxicare Health Plans

Total financing ..... $125,000,000
Public offerings:
Debt ..... $125,000,000
No. of issues ..... 1
Key underwriters ..... Salomon Brothers, Montgomery Securities

LOS ANGELES — Proceeds from Maxicare's September 1986 debt offering were applied to the $372 million purchase of Health-America Corp., which was completed in November.

Maxicare raised $125 million by selling 11¾% senior subordinated notes due 1996. Cash and bank borrowings funded the balance of the HealthAmerica acquisition. Debt and equity offerings in 1985 contributed to a $361 million cash position that enabled Maxicare to make acquisitions.

Maxicare, in October, completed the acquisition of Health-Care USA for $66.2 million. Liquid assets were used for that purchase.

Maxicare, a health maintenance organization, operates prepaid medical plans that entitle members to fixed-fee medical service provided by practitioners who work with the company.

Salomon Brothers Inc. was lead manager for the September offering; Montgomery Securities acted as co-manager.

## Bank equity fund draws $4 million

MINNEAPOLIS — Marquette Bank Minneapolis' new select-value equity fund already has drawn more than $4 million in assets, all for tax-exempt employee benefit plans.

The fund, managed by Marquette Capital Management Corp., the bank's investment advisory subsidiary, uses a value-oriented style. It focuses on such variables as dividends to average yields, expected dividend growth and price and earnings values. Generally 40 to 50 stocks will be held in the fund. ■


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# Agencies active in 1986

## FNMA, FHLMC, SLMA among innovative financiers

WASHINGTON — Three quasi-governmental agencies, the Federal National Mortgage Association, Federal Home Loan Mortgage Corp. and the Student Loan Marketing Association, were among the biggest and most innovative financiers in the market in 1986.

Here are thumbnail sketches on the financing activities and innovations of Fannie Mae, Freddie Mac and Sallie Mae.

• • •

**Fannie Mae** is a federally chartered, stockholder-owned corporation that operates a secondary market for home loans by purchasing mortgages and selling debt and mortgage-backed securities.

Fannie Mae's total debt issuance in 1986 amounted to $39.997 billion, which was used to finance the corporation's purchase activities in the mortgage market.

During 1986, the corporation continued to attract funds from a global investor base. There was heavy overseas demand for Fannie Mae dollar debentures and the yen-denominated debentures sold in the European and Japanese markets.

But direct overseas offerings played a smaller role in its financing activities in 1986 compared with previous years because of the attractive cost of domestically issued debt.

During 1986, Fannie Mae also added $67.6 million to stockholders' equity by issuing 11.5 million detachable common stock purchase warrants as part of a debenture offering.

In addition to the debt issues, Fannie Mae issued $60.56 billion of mortgage-backed securities, including $2.4 billion of an innovative new security called Stripped Mortgage Backed Securities.

Goldman, Sachs & Co. developed the SMBS idea and was underwriter for Fannie Mae's first such issue. An SMBS consists of two or more classes of securities. Each class represents a specified percentage of undivided ownership interest in the principal payments to be made on a pool of mortgage loans or mortgage-backed securities certificates and a different specified ownership interest in the interest payments on such a pool.

Additionally, an SMBS issue may be structured with separate classes for principal and interest. Traditional mortgage-backed securities give the investor an undivided interest in the entire pool of underlying mortgage loans.

The bulk of Fannie Mae's financing comes from the corporation's issuance of mortgage-backed securities. Those securities create a source of guaranty fee income, but without the fi-nancing risk associated with Fannie Mae's portfolio investing activities.

Most of the corporation's mortgage-backed securities are issued through lender swap transactions, whereby participating lenders place pools of mortgages in trust in exchange for securities.

Fannie Mae expects mortgage-backed securities will continue to grow through issuance of various types.

Also in 1986, Salomon Brothers Inc., working with Fannie Mae, issued $200 million of a then new security, known as a real estate mortgage investment conduit, tailored to meet the new tax law. REMICs operate like a trust for tax purposes but allow issuers more flexibility in structuring mortgage-backed securities. The offering was collateralized by mortgage-backed securities bought from Fannie Mae. Fannie Mae did not actually issue the securities itself.

• • •

**Freddie Mac** is a publicly chartered corporation, the preferred stock of which is owned by savings institutions and the purpose of which is to increase the availability of mortgage money for home loans. It does so primarily by buying mortgages from lenders and selling the mortgages as participation certificates, pledging them as collateral for Freddie Mac collateralized mortgage obligations.

The corporation issued about $102.3 billion in mortgage-backed securities, which financed almost all of the agency's needs. Debentures and discount notes aren't included in the total.

Of the total, Freddie Mac issued $100.1 billion in participation certificates, which are monthly pass-throughs and are considered a sale of assets, not a debt obligation. These include 15- and 30-year fixed-rate single-family mortgages and 10- and 15-year fixed-rate multifamily mortgages.

One innovative twist on the participation certificates was Freddie Mac's $335 million issue of them backed by adjustable-rate mortgages.

It was the first Freddie Mac participation certificate backed exclusively by recently originated 2% Treasury indexed ARMs offered to investors and marked the corporation's implementation of a program to finance the purchase of ARMs through the sale of mortgage-backed securities.

Under the ARM participation certificate program, Freddie Mac purchases ARMs from mortgage lenders for cash, and then forms pools of ARMs and sells the participation certificates backed by those pools to investors. Salomon Brothers was the lead manager.

In addition there was $1.85 billion in CMOs, and $381 million of a new security called Mortgage Cash Flow Obligations, another first for Freddie Mac.

MCFOs are unsecured general obligations of Freddie Mac with a structure similar to the Freddie Mac CMO. Unlike the CMO, however, the mortgages underlying the MCFO are not pledged in trust as collateral, nor are payments of principal and interest on the MCFOs secured by a lien on the underlying mortgages. Salomon Brothers was lead underwriter on the offering.

Freddie Mac underwrites the bulk of its issues. Only five Freddie Mac issues were underwritten or partly underwritten by Wall Street firms.

• • •

**Sallie Mae** is a federally chartered stockholder-owned corporation and the nation's major financial intermediary to the education market.

By buying insured student loans and providing other financial services to financial and educational institutions participating in the Guaranteed Student Loan Program, Sallie Mae replenishes local supplies of student credit.

The corporation uses a variety of debt instruments in both domestic and overseas markets to fund its operations. In 1986, the association raised $3.7 billion in net new funds.

Sallie Mae was the first to offer in the United States zero-coupon bonds denominated in a foreign currency. Shearson Lehman Brothers Inc. publicly offered the $140 million (U.S.) Australian dollar zero-coupon notes. After a separate currency exchange, Sallie Mae stood to net $74 million in proceeds and repay about $109 million at maturity.

The corporation also brought another new security to market, issuing a $53 million (U.S.) New Zealand-dollar note.

Sallie Mae also issued its first Eurobond offering, $100 million of seven-year Eurodollar notes; offered $300 million five-year notes with equity warrants and equity puts; and $250 million in yield curve notes.

# Top 50 . . .

*Continued from page 33*

Indeed, all of the top five utility sector issuers — GTE Corp., Pacific Gas & Electric Co., NYNEX Corp., Southern California Edison Co. and Long Island Lighting Co. — cited lower interest rates and refinancing opportunities as reasons for their 1986 debt offerings.

For example, Southern California Edison's $1.2 billion in 1986 financing helped the utility in its redemption of $2.7 billion in debt. Pacific Gas used the $1.7 billion in proceeds from its offerings last year toward the redemption of $1.8 billion in existing debt.

In the manufacturing industry, Union Carbide Corp. made a tender offer at a premium for $2.5 billion in 13½% to 15% debt issued in early 1986 in a recapitalization plan designed to fend off hostile suitor GAF Corp.

While many of the largest issuers achieved their rankings as a result of acquisition activity, two that moved into the Top 50 were corporate spinoffs launching initial public stock offerings.

The Henley Group, composed of 35 former Allied-Signal Inc. businesses, raised $1.2 billion in an IPO that ranked it among the top five in the manufacturing industry. Coca-Cola Enterprises Inc., formed by The Coca-Cola Co. and managed by former Coke executives, raised $1.1 billion through an IPO that put it among the top five service company issuers.

Outside of the banking and finance arenas, total financing for the top five in the remaining eight industries was: $9.9 billion for manufacturing; $7.6 billion for service companies; $7.3 billion for utilities; $7 billion for natural resource companies; $4.3 billion for retail companies; $4 billion for transportation companies; $2.5 billion for rail/shipping concerns; and $1.7 billion for health care concerns.

Of the $85.8 billion raised by the Top 50 issuers, almost $79 billion stemmed from public and

*Continued on page 49*

## New issues of corporate securities

March 16 — March 27

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 3/26 | CMO Trust 26 | 498.75 | GNMA CMO | Market | Market | OTC | Salomon Brothers |
| 3/19 | Union Carbide Corp. | 350.00 | Sr. Sub. Note | 99.24% | 2.267 | NY | First Boston |
| 3/24 | Coca-Cola Enterprises | 300.00 | Notes | 99.65% | .652 | OTC | Allen & Co./Merrill Lynch/Salomon (Books) |
| 3/24 | Coca-Cola Enterprises | 300.00 | Debs. | 99.40% | .880 | OTC | Allen & Co./Merrill Lynch/Salomon (Books) |
| 3/23 | Union Oil Co. of California | 300.00 | Notes | 99.45% | .704 | OTC | Merrill Lynch/Shearson Lehman |
| 3/18 | Union Carbide Corp. | 300.00 | Cvt. Sub. Deb. | 100.00% | 1.500 | NY | First Boston/Morgan Stanley |
| 3/23 | Collateralized Mortgage Securities | 287.50 | FNMA CMO | 99.91% | .576 | OTC | First Boston |
| 3/20 | Security Pacific National Bank | 270.00 | Pass-thru | Market | Market | OTC | SEC-PAC-MERC/KP/SLB** |
| 3/27 | Time Inc. | 250.00 | Debs. | 99.06% | .883 | OTC | Salomon Brothers/First Boston |
| 3/25 | FBC Mortgage Securities Trust XII | 250.00 | Col. Bonds | 99.94% | .500 | OTC | First Boston |
| **Common Stock** | | | | | | | |
| 3/26 | Consolidated Rail Corp. | 1456.00 | | $28.00 | 4.25 | IPO (NY) | GS/FBC/MLCM/MS/SAL/SLB*** |
| 3/19 | Colonial Municipal Income Trust | 260.00 | | $10.00 | 6.00 | IPO (NY) | MORGAN-KEEGAN/BATEMAN/PIPER**** |
| 3/19 | Petrolane Partners | 256.30 | | $20.50 | 6.83 | IPO (NY) | KP/GS/MLCM/SLB/DWR***** |
| 3/16 | Rhone-Roulenc S.A. | 82.00 | | $27.33 | 2.82 | PAR (OTC) | Merrill Lynch/Drexel Burnham Lambert/SoGen Securities |
| 3/27 | Allstar Inns | 72.90 | | $12.50 | 7.04 | IPO (AM) | DBL/DWR/BATEMAN****** |
| 3/26 | Applied Bioscience International | 45.00 | | $15.00 | 5.80 | IPO | Shearson Lehman/L.F. Rothschild |
| 3/27 | Harnischfeger Industries | 42.50 | | $17.00 | 4.76 | NY/PC | Shearson Lehman/Merrill Lynch |
| 3/17 | Eastern Utilities Associates* | 36.60 | | $36.63 | 0.26 | NY/PC | PaineWebber/Prudential-Bache/A.G. Edwards |
| 3/18 | Brinkmann Instruments | 33.60 | | $10.50 | 7.05 | IPO | Shearson Lehman/PaineWebber |
| 3/27 | Country Wide Transport Services | 33.00 | | $15.00 | 7.00 | IPO | Robinson-Humphrey |

*Source: Securities Data Co., New York*
**Competitive*

*Sr. Sub. Note: Senior subordinated note*
*Cvt. Sub. Deb.: Convertible subordinated debenture*
*FNMA CMO: FNMA-backed collateralized mortgage obligation*
*Pass-thru: Pass through securities*
*Col. Bonds: Collateral bonds, collateralized bonds, and collateral trust bonds*
***Security Pacific Merchant Banking Group/Kidder Peabody/Shearson Lehman*
****Goldman, Sachs/First Boston/Merrill Lynch/Morgan Stanley/Salomon/Shearson Lehman*
*****Morgan Keegan/Bateman Eichler, Hill Richards/Piper, Jaffray & Hopwood*
******Kidder, Peabody/Goldman, Sachs/Merrill Lynch/Shearson Lehman/Dean Witter Reynolds*
*******Drexel Burnham Lambert/Dean Witter Reynolds/Bateman Eichler, Hill Richards*

*NY: New York Stock Exchange*
*OTC: Over the Counter*
*IPO: Initial Public Offering*
*AM: American Stock Exchange*
*PAR: Paris Stock Exchange*
*PC: Pacific Stock Exchange*

# Variable rates . . .

*Continued from page 6*

premium. Although the premium generally would be capped at $100 per participant, it would be indexed to 150% of wage inflation.

"With no control over the assumptions used to calculate the (PBGC) deficit, and no clear picture of the basis that would be used to determine wage growth, we are reluctant to support any kind of automatic adjustments or indexing," Mr. Anderson said.

A Washington attorney representing the U.S. Chamber of Commerce dismissed the variable-rate premium as no more than a short-term revenue raiser.

Richard Fay, a partner with Reed, Smith, Shaw & McClay in Washington, said the answer to curbing the PBGC's financial problems is better pension plan-funding, not altering the PBGC premium structure.

"We would favor tighter funding standards" and not "monkeying around with the PBGC premium," Mr. Fay said.

He described as silly statements that a variable-rate premium would, by itself, lead to better pension funding.

But the concept received its strongest support from the National Association of Manufacturers.

Michael Gulotta, who testified on behalf of NAM and also is president and chief actuary of Actuarial Sciences Inc., Piscataway, N.J., labeled the current flat-rate premium an unjustified tax on well-funded pension plans.

"A variable-rate approach reflects reality — the reality that (poorly funded) plans represent the greatest risk to the PBGC," he said.

Mr. Gulotta likened the current premium to an insurance company charging the same rate for term life insurance for an 85-year-old as for a 25-year-old.

A representative of the General Accounting Office said a variable-rate premium would be more complex than the flat-rate structure, but would be more fair.

"We believe it is more equitable than the existing flat rate because those plans generally representing no immediate potential claim would pay the lowest premium," said Joseph Delfico, senior associate director of the GAO's Human Resource Division, in his written testimony.

PBGC Executive Director Kathleen P. Utgoff, the chief architect and proponent of the variable-rate premium, urged quick action on the proposal.

If the PBGC premium keeps rising, employers with well-funded plans, and that resent subsidizing the poorly funded plans, might begin to terminate their defined benefit plans, she said.

"It is the well-funded plans that we are worried about. They are the ones who could leave the system unless something is done" to stabilize premiums, she said.

Ms. Utgoff, in response to congressional questioning, denied a higher premium would place such a burden on a financially troubled company that it would file for bankruptcy, terminate its underfunded pension plans and dump the liabilities onto the PBGC.

The higher premium is not significant in terms of a company's ability to survive, she said, noting the cost of a bankruptcy filing alone might exceed the higher PBGC premium.

Ms. Utgoff also said that limiting so-called distress terminations of underfunded plans to those companies that are liquidating under Chapter 7 of the Bankruptcy Code is not a solution to the PBGC's financial problems.

Now, under a provision in the Single Employer Pension Plan Amendments Act of 1986, companies that have filed for reorganization under Chapter 11 can terminate underfunded plans if the bankruptcy judge approves.

Ms. Utgoff noted limiting such terminations to Chapter 7 companies probably would not prove effective in protecting the PBGC from big pension terminations.

A company in Chapter 11 could sell off assets to pay creditors and then, by the time it filed for Chapter 7, there would be few assets available for the PBGC, she said.

Ms. Utgoff agreed that other changes — principally requiring better funding of pension plans — are needed along with a variable-rate premium to bring new stability to the PBGC insurance program. ■

# Top 50 . . .

*Continued from page 48*

private debt offerings, while $6.8 billion came from offerings of common and preferred stock.

Of the $14 billion raised in international transactions, $5.3 billion was generated through Eurodollar offerings and $8.7 billion was for debt offerings with interest or principal denominated in such currencies as the Australian or New Zealand dollar, Swiss franc, deutsche mark and yen.

International offerings by the Top 50 issuers accounted for 37% of the $38.3 billion raised by all U.S. issuers in the Eurobond market.

The Top 50 raised $76.7 billion in the foreign and domestic public markets, making up 24.2% of the $317 billion issued by U.S. companies worldwide. The remaining $9.1 billion in private placement transactions represents 8.8% of the $103.3 billion raised by U.S. companies in the overall private placement arena.

IDD bases a company's industry classification on which of its businesses generated the greatest percentage of revenue.

The rankings of the Top 50 issuers within each of the 10 industry categories were based by IDD on the net proceeds from public and private placement transactions. Only firmly underwritten public offerings were included for ranking purposes, while private placements included were those where the company used an investment bank as placement agent. Debt offerings had to carry maturities of at least a year to be included. In addition, each tranche of multiclass securities was counted as one issue.

Bank debt, on-going issuing facilities such as medium-term note programs, and tax-exempt offerings were not included in determining total financing for ranking purposes. However, individual profiles may include information on these types of transactions.

Also, IDD accumulates its private placement data from investment banking firms. For reasons of client confidentiality, the firms may not provide IDD with information on all private deals they arrange and, therefore, these numbers may not be complete. In cases where the issuer has supplied information on a private transaction not in IDD's data base, these transactions have been added to the totals. ■

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April 13, 1987

# Advisers boost . . .

*Continued from page 2*

of investment managers outperformed the market.

AmeriTrust increased equity cash to 12% from between 8% and 10% at the end of 1986, said Richard Hyde, chief investment officer.

"We continue to be surprised (at the equity market) and we continue to be constructive, but are a little bit troubled. We feel the market is fairly fully valued by most benchmarks. What will cause it to go higher from here? We believe it could go higher, so we aren't going to make a major bet and raise cash to 30%. That's not our style. But the temptation is greater with each 100-point move in the market," he said.

Lincoln Capital raised its cash reserves to 8% from the 1% that was the lowest level of those contacted by *P&I Age* at year end.

J. Parker Hall III, president, said the increase was not because of market twists but "because some of the stocks we held at year-end outperformed the market and we trimmed back and just haven't reinvested the cash as yet."

Mr. Hall said Lincoln specializes in established growth companies and "we think they look quite attractive in the market today because (price-earnings ratios) are at a lesser premium to the market than in several years. I think we might well work this cash back into the market without worrying about a possible correction."

Lincoln has about $2.2 billion in equities under management.

Sun Bank reduced its cash reserve position to 7.5% from 14% at the end of 1986, said Anthony Gray, executive vice president.

"We sat around here on New Year's Eve and were modestly negative on the market and held 14% cash. The market had been drifting lower for four or five months and only a few stocks were doing well, most were doing poorly. We turned out not to be right; we had that cash invested the second day of the month," in time for the first-quarter market explosion.

Mr. Gray said no changes are anticipated in Sun Bank's current cash position. Sun Bank has about $5 billion in equities under management.

Harbor Capital Management reduced its equity cash reserves to 8% from 15% at the end of 1986 and put the money into the market, said Richard Spindler, investment officer.

"We started to get more active in the fourth quarter of 1986. It started slowly and kept up at a steady rate. Now we have the problem of what to do. At 8% there's not much leeway to do much of anything."

Harbor normally invests in growth and value stocks in almost equal proportions and has found it increasingly difficult to find acceptable value-oriented issues in the current market.

"I don't see us with zero cash anytime soon," said Mr. Spindler. "The 8% is high. But whether the market is overvalued or not, we're letting the pricing tell us. It is getting harder to find stocks."

Harbor manages about $700 million in equities.

Herb Hansen, president of Hansen Investment Management Co., said his firm began raising cash during the quarter as the market moved higher, ending the quarter with 13% cash, down slightly from 14.6% at the end of 1986.

"That's high for us. We tend to be fully invested but it is very hard to find value in this market. We don't like to pay more than market multiples."

Mr. Hansen said he is concerned about the currency crisis and the decline of the dollar internationally. "That's our big concern, but we are optimistic that the currency crisis will be resolved and then you can make a case for the S&P at 360 by the end of the year from about 290 now," he said. Hansen manages about $552 million in equities.

Sit Investment Associates Inc. reduced equity cash slightly in the first quarter to 10% from a 10% to 12% range in the fourth quarter of 1986.

"We took down some because equity assets went up. We sold some toward the end of the quarter," said Eugene Sit, president and chief investment officer. "We believe the market has been good and is due for a pause and we want to have some money just in case."

Mr. Sit said a market pullback of 100 to 150 points is possible sometime in the second quarter.

Sit manages about $2.4 billion in equities.

Alliance Capital Management held steady at 5% cash reserves in the first quarter, reflecting the company's desire to remain nearly fully invested.

"We think the U.S. market, among the world's capital markets, is reasonably valued and we think there will be a significant improvement in earnings and current market levels are justified. We aren't bearish," said Clint Kendrick, president.

Alliance has about $17 billion in equities under management. ■

# *Index funds top . . .*

*Continued from page 2*

cific Gas & Electric Co., San Francisco, and $116 million in government bonds for the New York City Board of Education Pension Fund.

The firms that placed fourth and fifth did so because of annuity purchases by the Los Angeles County Employees' Retirement Association. This is the first time any managers placed in the top 10 because of annuities.

The Travelers Corp. received $254 million worth of business and Aetna Life & Casualty Co., $200 million. Both companies are in Hartford, Conn. Aetna also had a $30 million real estate account, for the Connecticut Trust Funds.

Bucking the passive trend were the funds hiring The Boston Co., Boston, for $144.8 million worth of active accounts. The firm's biggest chunk of business was a $116 million active equity account for the Mississippi Public Employees' Retirement System, Jackson.

Mellon Bank, Pittsburgh, had $120 million in new business reported — in government bonds for the New York City Board of Education fund.

Loomis, Sayles & Co. Inc., based in Boston but with offices around the nation, had $115 million in new assets reported. The largest account was $100 million in equities for Pacific Gas & Electric.

Oppenheimer Capital Corp., New York, received $104 million in new business for active equity strategies, with the largest client being AMA Advisers Inc., Chicago. Pacific Investment Management Co., Newport Beach, Calif., was a beneficiary of the New York City Board of Education's moves, winning a $94.4 million account for mortgage-backed securities.

Also during the first quarter, the California Public Employees' Retirement System established allocations for six managers it selected last year. These managers weren't listed as top managers for the first quarter because they already were recognized as such for the second quarter of 1986.

Managers and their assignments were Atalanta/Sosnoff Capital Corp., New York, $500 million in equities; Dimensional Fund Advisors Inc., Santa Monica, Calif., $500 million in small-capitalization equities; Fidelity Bank, Philadelphia, $200 million in equities; First Chicago Investment Advisors, Chicago, $500 million as a swing manager; Lazard Freres Asset Management, New York, $500 million in equities; and TSA Capital Management, Los Angeles, $250 million in equities.

Munder Capital Management Inc., Detroit, had a new $350 million fixed-income account from the Kentucky Retirement Systems, Frankfort, reported in the quarter, but it was advisory only.

Analytic Investment Management Inc., Irvine, Calif., and Balch, Hardy & Scheinman Inc., New York, each won the assignment to write options on up to $150 million of the Houston Policemen's Retirement System's equity assets.

In terms of number of new accounts, Morgan Stanley & Co., New York, led with 10 tax-exempt funds committed to a venture capital limited partnership.

Bankers Trust followed with eight and Loomis, Sayles with six. Heitman Advisory Corp. and JMB Institutional Realty Corp., both of Chicago, had five each.

Managers with large or multiple accounts terminated, according to *P&I Age* reports during the quarter, included Alliance Capital Management Corp., New York, which saw $350 million in active equities reassigned by the New York City employees' and Fire Department systems; BEA Associates Inc., New York, which had $264.7 million reassigned by the New York employees' and police funds; Pioneering Management Corp., Boston, with a $120 million account terminated by the Baltimore Employees' Retirement Systems; and ABD International Management Corp., New York, which, following staff changes, was terminated by American Information Technologies Inc., Chicago; NYNEX Corp., New York; Pacific Telesis Group, San Francisco; and The Common Fund, Fairfield, Conn. ■

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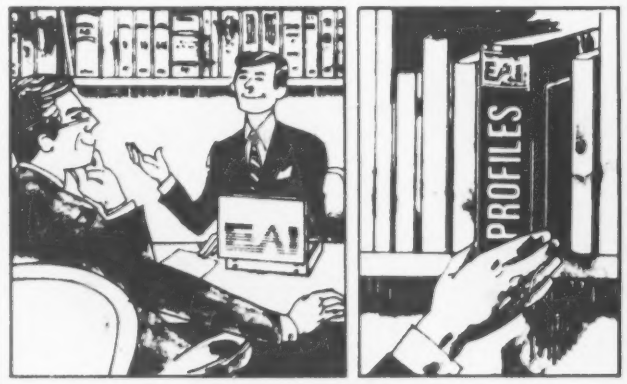


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# Growth slows . . .

*Continued from page 3*

ecutives to accept portfolio insurance takes a long time. "It's just a fairly long educational process," said Bob Haber, vice president of Wells Fargo.

Future growth may come among small funds, said Pete Thomas, vice president of Skye Investment Advisors Inc., Cupertino, Calif.

Skye provides portfolio insurance for small funds through a pooled fund at Massachusetts Mutual Life Insurance Co., Springfield, and for larger funds through RepublicBank Dallas.

Some managers said pension fund officers' approach to portfolio insurance is changing, in some cases to an emphasis on protecting the surplus assets of pension funds.

"They're really beginning to focus on the surplus and look at assets less liabilities," said Jeff Geller, vice president and principal of BEA Associates Inc., New York.

Financial Accounting Standards Board Statement 87, providing for balance sheet recognition of pension fund surpluses or deficits, has brought this about, the managers said.

Still, what has been the standard reason for using dynamic hedging has not vanished. "Just because you're hearing a lot about FASB 87 doesn't mean that people have forgotten about protecting gains," Mr. Geller said.

The rampaging stock market has given many pension funds gains to protect. But dynamic hedging managers differ on whether the bull market has encouraged or discouraged business.

"You know the saying, 'I'm not going to get insurance until my neighbor's house burns,' " said Jim Donegan, senior vice president and partner of Westridge Capital Management, Los Angeles, supporting the view that many pension executives will wait until the bull market runs its course before trying to protect assets.

In a bear market, he said, "I'm looking for the floodgates to open dramatically. They're going to come running and they're going to want the insurance then."

Added William O. Melvin, director of investments for Webster Capital Management, New York: "I think the enthusiasm (for portfolio insurance) has definitely been postponed because of the bull market." Webster just began to market portfolio insurance.

Still, while the bull market may have lulled some people into expecting perpetual prosperity, it has moved others toward protective strategies to lock in gains, said John O'Brien, chairman and chief executive officer of LOR.

Interest in using dynamic hedging for bond portfolios also is growing. In a bear bond market — with rising interest rates lowering the market value of lower-interest bonds — greater numbers of pension funds may seek this strategy, managers said. To date, just a few billion dollars' worth of pension fund bond holdings have been hedged dynamically.

Even though their overall trend was upward, the financial markets have been volatile, raising the cost of dynamic hedging for many investors (*Pensions & Investment Age*, March 23).

"The sponsor community is just becoming much more educated about the pros and cons of insurance strategies, particularly the cons, with costs exceeding expectations," said Tim Taussig, manager of client development for BEA.

That is leading to more customizing of strategies to minimize the number of times pension funds have to face higher-than-expected costs, Mr. Taussig said. Pension executives have realized short-term insurance with a high floor return is expensive, so they are adjusting their parameters and, in some cases, becoming sellers as well as buyers of the insurance, he said.

Pension funds become sellers of insurance by taking the other side of the trades made by those buying it. Buyers of insurance, in most of the strategies, sell futures short; sometimes, these futures are underpriced when the insurance program kicks in.

Investors who take the other side of these trades do so because they see an arbitrage opportunity in buying the cheap futures and selling the more expensive stock holdings. This strategy is becoming increasingly popular with pension funds (*P&I Age*, April 6). Many of the managers offering portfolio insurance also offer this form of arbitrage. ■

# *Integration . . .*

*Continued from page 54*

Stephen Ross and Richard Roll, academicians turned money managers, developed the arbitrage pricing theory model several years ago. The model, marketed by Ross and Roll Asset Management, Philadelphia, concentrates on a comprehensive breakdown of risk and is flexible in that it adapts to the needs of the individual pension fund.

They say that because not every investor shares the same beliefs, requirements and desires, a customized approach makes sense. One pension executive may have a strong conviction the business cycle will soon meet an unexpected decline and may want to recycle the weighting against the stocks most affected by the exposure.

In their view, the pension fund executive could use the portfolio as insulation against operational risks. Because pension funds represent a significant portion of total corporate assets, managers may want to hedge the business risks of a company. That would require using a different investment objective than outperforming the S&P 500.

Stephen Berkowitz and Dennis Logue of Berkowitz, Logue & Associates, Columbia, Md., longtime backers of the integration concept, are about to launch a product along this line.

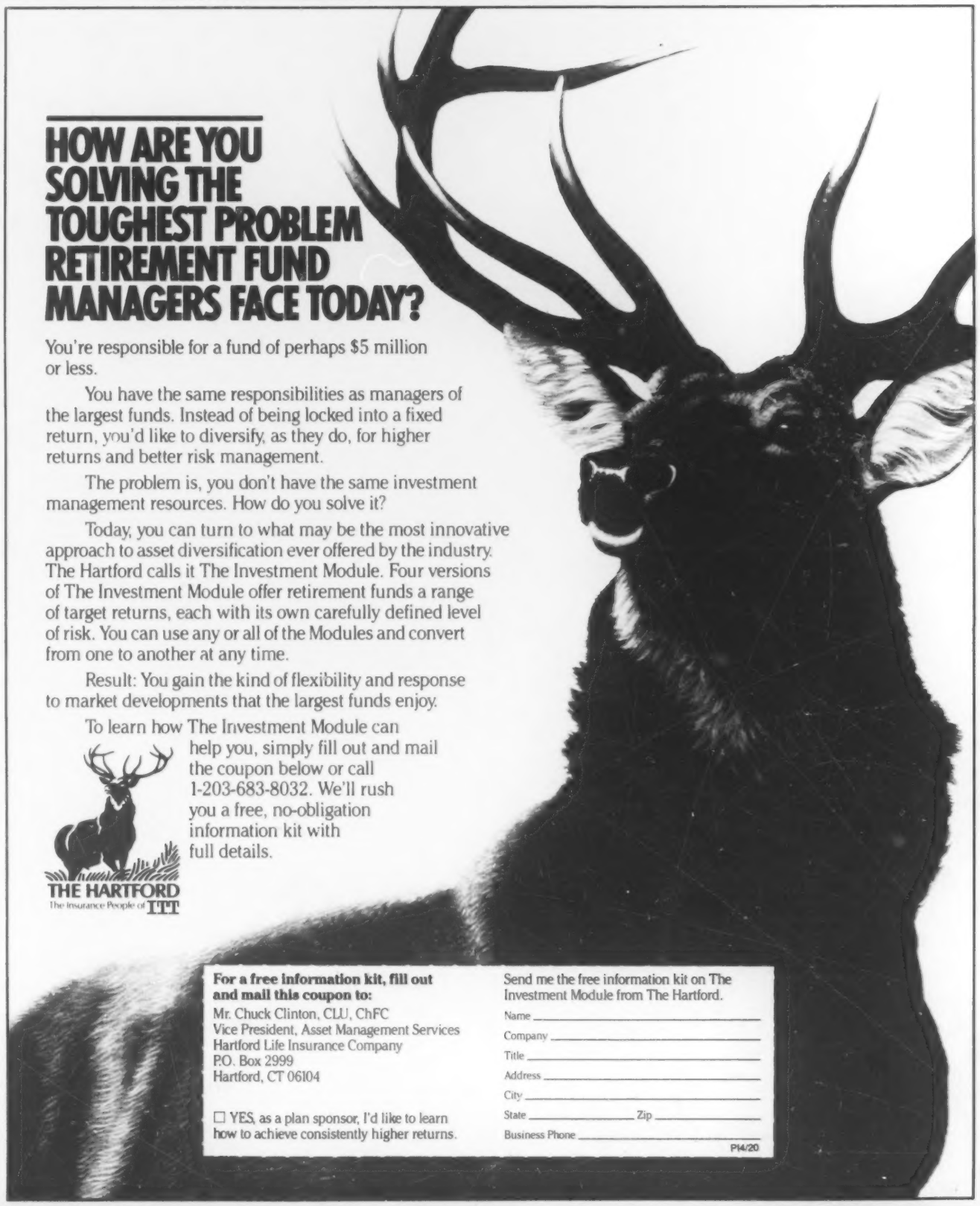
Mr. Berkowitz said there are obstacles. One, he explained, is pension fund managers are judged on whether they beat the S&P 500, and that benchmark wouldn't be pertinent using the integration strategy.

"If a pension plan manager were asked if he beat the S&P 500 and he didn't own a major industry sector in order to offset some corporate characteristic, he'd be in trouble," Mr. Berkowitz said, adding customized indexes will have to be designed for that purpose.

Jack L. Treynor, president of the Los Angeles investment management firm by the same name, cited another roadblock.

"People who hire and fire aren't taking the broad view. They are taking the pension balance sheet in isolation. To change that you have to get to the investment committees of the board of directors," Mr. Treynor said. ■

The current accounts section is a cross-reference to manager hirings reported in *Pensions & Investment Age*. The current accounts section is published quarterly.

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Pensions & Investment Age

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# State seeks proxy vote disclosure

**By Marcia Parker**

SACRAMENTO, Calif. — The California Legislature is considering a far-reaching bill that would require investment managers, master trustees and others who act in a trust capacity in the state to make public their proxy voting records — and more.

Slated for the first round of debate in the state Senate Judiciary Committee May 12, the trustee bill has been proposed at a time when the spotlight is on voting rights and practices during this proxy season.

The bill is contained in a broad package of proposals dealing with corporate governance issues, takeover abuse protections and insider trading, according to Dick Damm, senior consultant in the state Senate Office of Research.

The package comes on the heels of the U.S. Supreme Court's landmark decision upholding an Indiana law curbing takeovers.

Corporate governance experts, lawyers, academicians and government officials have predicted the high court's ruling will open the floodgates to other states eager to adopt laws that will slow hostile takeovers and bolster shareholder rights.

If the trustee bill is approved, these experts say it could serve as model legislation for other states. The trustee bill is believed to be the first in the nation that requires public disclosure of voting records.

Traditionally, corporate pension funds have delegated the proxy voting authority to the investment manager or master trustee, whose voting records rarely were made public.

Public pension funds, on the other hand, historically have retained the voting authority and have been more willing to make public the vote.

The push for disclosure of voting records has come from several groups. But not everyone thinks that is the best remedy.

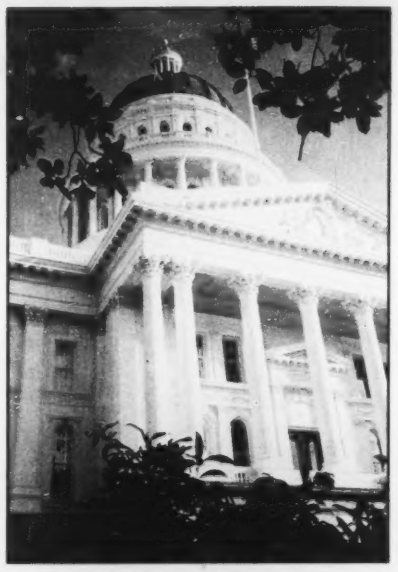
Robert Monks, who heads Institutional Shareholder Services, a shareholder rights group in Washington, said public disclosure would go a long way toward ending the real or perceived pressure on investment managers and trustees to vote with management. Mr. Monks, who helped draft the bill, hopes other states will follow California's lead if it is passed.

A recent study of the proxy voting process by the Investor Responsibility Research Center in Washington included disclosure among the many recommendations made by those it surveyed. IRRC Director Jamie Heard said he endorses the trustee bill.

Dean LeBaron, president, Batterymarch Financial Management, Boston, which is well known for making public its voting record in advance, hailed the bill.

"I am a fan of disclosure," he said. "We endorse it because it would make everyone who has the voting authority — investment managers, plan sponsors, trustees — accountable publicly."

Most money managers and master trustees contacted by *Pensions & Investment Age* said they grudgingly backed the bill



*The California Legislature has proposed a bill requiring trustees to disclose proxy voting records.*

but were concerned with what they believe will be costly and time-consuming record keeping and reporting duties.

Masako Dolan, director of policy and planning for the trustee bill's sponsor, state Sen. John Garamendi, said the Los Angeles County Bar Association had objected mainly to the record keeping and reporting burden.

Ms. Dolan said the bill has been amended to delete a requirement that the trustee report the voting records to the state Department of Corporations, which she thinks will alleviate much of the concern.

The California Bankers Association has voted to oppose the measure.

Mr. Damm said most money managers or master trustees probably would avoid taking a public stand against disclosure. "Who can be against disclosure?" he asked.

T. Boone Pickens and his United Shareholders Association in Washington, however, have backed secret balloting. But Ralph Whitworth, a spokesman for the association, said the group "supports anything that makes the system more accountable."

Mr. Garamendi's bill would force money managers and trustees to keep voting records for three years, notify beneficiaries of their voting record and their rationale, identify conflicts of interests in their votes and contacts with boards of directors.

The bill defines a trustee as any sole proprietorship, partnership, corporation or similar entity that solicits or accepts trust business in the state from the general public for remuneration and has or controls more than 100 trusts or one or more com-

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## Inside:

TACKLING NEW FIELDS: Former New England Patriots offensive lineman John Hannah (No. 73) is making the move from the playing field to the business world at L.F. Rothschild Unterberg Towbin Inc. in Boston — Page 24.

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# Court rules life insurer is fiduciary of IPG assets

**By Joel Chernoff**

HARTFORD, Conn. — In a blow to the life insurance industry, a federal district court has ruled an insurer is a fiduciary under ERISA with regard to assets underlying an immediate participation guarantee contract.

The case involves an IPG held by the International Brotherhood of Electrical Workers Local Union No. 90 pension fund, Wallingford, Conn., purchased from the John Hancock Mutual Life Insurance Co., Boston.

Assets underlying insurance contracts that provide a "guaranteed benefit" generally have not been considered plan assets under the Employee Retirement Income Security Act if the assets are held in an insurer's general account.

The Connecticut decision puts insurers "in an untenable position," said Stephen Kraus, senior associate general counsel for the American Council of Life Insurance, Washington.

State insurance laws prohibit insurers' favoring any contract holder, yet the ruling would force them to simultaneously meet ERISA's requirement of acting in the exclusive benefit of plan participants and beneficiaries, he explained.

"It's impossible for an insurance company to act exclusively in the benefit of (an individual) contract holder," said Stephen Goldberg, counsel for Aetna Life & Casualty Co., Hartford, Conn.

But lawyers for retirement funds disagree. "Congress did not intend that every insurance contract be exempt from ERISA," said Nell Hennessy, a partner with Willkie Farr & Gallagher, a Washington law firm, which represented U S WEST Inc., Englewood, Colo., in an IPG-related suit against Aetna.

IPG contracts are open end, with no maturity. If a retirement plan seeks to terminate one, it can be slapped with a "market value adjustment" or face lengthy payouts with low interest rates if it selects a book value payment option. Some retirement funds have asserted they have been hit with "hidden charges" when ending the contracts.

The problem became particu-

*Continued on page 45*

# AMAX taps pension fund again

**By John Covaleski**

GREENWICH, Conn. — AMAX Inc.'s pending plan to recapture $54 million in surplus pension assets will be the company's eighth pension plan termination since 1985, when it began a restructuring aimed at reducing its debt, now more than $2 billion.

AMAX has recaptured a total of $147.3 million in nine separate pension plan terminations since 1983, according to the Pension Benefit Guaranty Corp. That includes a 1983 spinoff/termination — one of the first done — in which $124 million was recaptured, of which $80 million was reported in 1986.

Money from each of the terminations has been used to either help pay off existing debt or to reduce borrowing needed for acquisitions made as part of the restructuring, said a spokesman in AMAX's corporate finance office.

The pending termination is for the $130 million defined benefit plan for salaried employees that was spun off in 1983.

The company plans to substitute a money purchase plan for the salaried defined benefit plan, proposing an April 30 termination (*Pensions & Investment Age*, March 9). A money-purchase plan is a form of defined contribution

*Continued on page 45*

# IBM buys $440 million GIC

By Fred Williams

IBM Corp., Stamford, Conn., has purchased a $440 million guaranteed investment contract for its employee savings plans from the Travelers Insurance Co., Hartford, Conn., one of the largest GIC deals in two years.

The $440 million window contract is part of nearly $600 million in new savings plan contributions that IBM put out to bid among GIC providers. Home Life Insurance Co., New York, and The Hartford Insurance Group, Hartford, received smaller allocations.

Although GIC rates are rising, one GIC broker said the IBM contracts were negotiated before the run-up in GIC yields, so IBM likely will experience lower overall returns. Yields have increased more than 100 basis points in the past three to four weeks on some five-year GICs, coinciding with the slumping and volatile bond market.

IBM officials refused to discuss any aspect of the GIC purchases, confirming only that the company's two savings plans had combined GIC assets of $849 million in 1985.

Industry sources familiar with the deal said IBM purchased an intermediate-term window GIC yielding about 60 basis points over intermediate-term Treasury securities. The contract begins July 1. Contributions will be accepted for six to 12 months, then will be locked in for the balance of the maturity period.

Another large GIC investment was made this year by ITT Corp., New York, with a newly formed GIC management unit at Bankers Trust Co., New York.

ITT purchased a $200 million GIC through the new unit formed in October. Its purchase makes up a sizable portion of the nearly $500 million under management in the unit. Bankers Trust manages the GIC portfolios on a separate account basis with PRIMCO, a Louisville, Ky., GIC investment specialty firm, said Richard Kaye, manager-structured bonds at Bankers Trust.

Rates on five- or six-year GICs are in the 9% range, said Mr. Kaye.

Yields on GICs now are "unbelievable," said John Knight, president of Lamberson Knight GIC Inc., Short Hills, N.J., as yields have been "gyrating on the way up," keeping pace with the bond market that has been "hammered in the last four weeks."

"GICs are heating up. We're getting a lot more interest now. When you get full percentage point moves, it generates more interest," said Mr. Knight.

GIC rates "are heating up tremendously" said Michael Dubrow, managing partner with Chambers, Dunhill, Rubin & Co., a Beverly Hills investment banking firm. He said top rates now are at 9.36% compounded, up from 8.6% to 8.4% "just a few weeks ago."

**Despite the dramatic increase** in GIC yields, spreads between GICs and Treasury securities with the same maturities continue to be narrow.

The spread remains in the 100- to 110-basis-point range, Mr. Dubrow said, while "historically spreads have been 130 to 140 basis points over Treasuries."

"Spreads are still down, and have been for a long time, reflecting the difficulty insurance companies are having finding lucrative assets (investments) and, because of the volatility in the bond market, some of them are wisely sitting on the sidelines," he said.

One GIC consultant suggested IBM might have had fewer bidders than expected.

"It presents a problem in terms of capacity for insurance companies, and we are seeing fewer (insurers) willing to bid on $200 million to $400 million cash flows . . . The bigger the amount, the bigger their risk," he said. ■

*Textron's Richard A. Watson*

# Ex-Cell-O managers trimmed

By Trudy Ring

PROVIDENCE, R.I. — Textron Inc., which bought Ex-Cell-O Corp. last year, has terminated Alliance Capital Management Corp., New York, and one other equity manager of the Ex-Cell-O pension fund and transferred the assets, roughly $144 million, to Textron's investment subsidiary.

Also, Jack A. Stone, the Ex-Cell-O assistant treasurer who oversaw the pension fund, has left the company.

Although Richard A. Watson, president of Textron Investment Management Co., declined to identify the managers terminated, a spokesman at Alliance confirmed the firm had been terminated as an equity manager. The spokesman did not reveal the size of the account.

Mr. Watson said the terminated managers ran about 40% of Ex-Cell-O's $360 million defined benefit fund.

The primary reason for the change was that Textron officials favor in-house money management, Mr. Watson said. Of Textron's own $1.6 billion defined benefit fund, $1.3 billion is run in-house.

Further changes in the Ex-Cell-O fund are probable, he said. "The likelihood is that over time, the Ex-Cell-O pension plan will be consolidated with the pension assets of Textron, at least for investment purposes," he said.

The money taken from the two terminated managers is being managed primarily in equities by the Textron subsidiary, Mr. Watson said.

According to the 1987 Money Market Directory, Ex-Cell-O's other equity managers were Batterymarch Financial Management

*Continued on page 45*

# Batterymarch cut by 5 more clients

By Marlene Givant and Trudy Ring

BOSTON — Batterymarch Financial Management has lost at least five clients and $190 million in assets so far this year, bringing the firm's loss since the beginning of 1986 to almost $4 billion and 42 clients.

As of Jan. 1, Batterymarch managed $7.7 billion in tax-exempt assets, a 33% drop from the $11.5 billion it reported as of Jan. 1, 1986.

In the first four months of 1987:

- Pan American World Airways Inc. Pilots' Variable Fund, New York, with $568.6 million in assets, pulled its $56.7 million equity account. Of that, $11 million was in the Trustees' Commingled Fund, Batterymarch's mutual fund administered by the Vanguard Group of Investment Cos. Inc.

The assets and new cash were used to fund Ardsley Partners for $25 million in domestic equity, and Alliance Capital Management for $19 million in an active international equities commingled fund. Some assets also were given to Nicholas-Applegate Capital Management; Lord, Abbett & Co.; and GAMCO Investors Inc. The fund had been with Batterymarch at least five years.

- National Fuel Gas Co., Buffalo, N.Y., with $270 million in total assets, pulled $46 million from Batterymarch. The assets were reallocated to existing manager Manning & Napier Advisors, and a new hire, Neuberger & Berman. The money, split $25 million and $21 million, remained in equities. The fund had been with Batterymarch six years.
- The New York Stock Exchange's $100 million retirement plan terminated its $31 million account with Batterymarch at the end of March. One-third of the assets went to existing manager INVESCO Capital Management Inc. and two-thirds to new hire George D. Bjurman & Associates. The NYSE plan had been a client since 1983.
- Pittston Co., Greenwich, Conn., with $200 million in pension assets, terminated its $30 million domestic equity account. Further details weren't available.
- The $125 million pension fund at ENSERCH Corp. Dallas, withdrew its $25 million in assets, putting the money in a stock index fund with Mellon Capital Management Corp.

Funds that dropped Batterymarch in late 1986 included the $1.7 billion Rockefeller Foundation, New York; the $500 million Mead Corp. pension fund, Dayton, Ohio; and the $60 million Mills College, Oakland, Calif., endowment fund. They pulled accounts of $100 million, $35 million and $13 million, respectively (*Pensions & Investment Age*, Nov. 10 and Dec. 22).

After three years of poor performance and the recent defections of five professionals (*P&I Age*, March 23), business is a far cry from Batterymarch's 1984 peak of $12.1 billion in assets under management.

That success came after the firm beat the Standard & Poor's 500 stock index during the often-rough market tides of 1974-79 and 1981-83.

While the firm has shone in bear markets, its returns have suffered in the bull market of the past three years. Last year, the firm's average account returned 16.3%, compared with 18.7% for the S&P 500. In 1985, the return was worse, 23.9% vs. the index's 31.8%, and 1984's return of - 1.2% greatly lagged the index's 6.3%.

Still, some clients note Batterymarch's first-quarter returns are above the index, 21.7% vs. 21.4%, and the firm's average compound rate of return from inception in 1970 through the end of 1986 is 14.2%, compared with the S&P's 11%.

"Over the past 17 years, we have gained more extra return vs. the market averages in falling markets than we have in rising markets," Dean LeBaron, founder, wrote in the firm's 1986 annual report. "Since we are now in the fifth year of one of the most exuberant bull markets in the last half-century, it is not startling to find Batterymarch results lagging . . . During 1986, some of our clients lost patience and shifted assets to other approaches."

Batterymarch's returns began to rebound in mid-1986, Mr. LeBaron added in an interview. In

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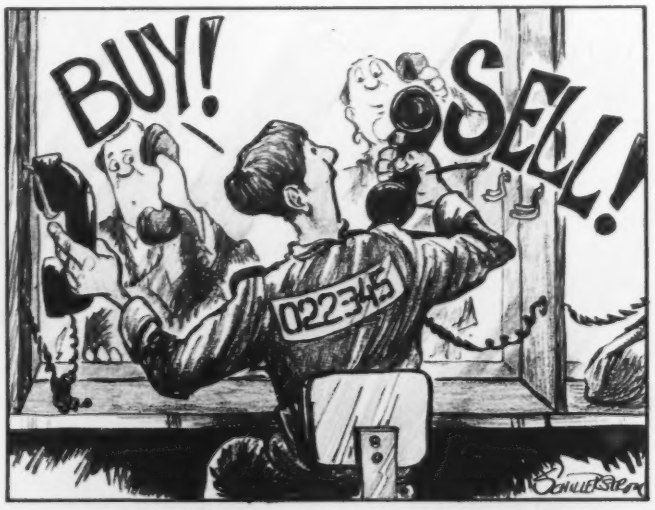


# SEC locks up inmate's management service

By Joel Chernoff

CANON CITY, Colo. — Investor Michael David Marant may be giving a new meaning to the term "insider trading."

Mr. Marant picks his stocks from prison.

Nevertheless, he is investing and advising on more than $400,000 from his cell at the Colorado Territorial Correction Facility in Canon City. Last year, his investments in penny stocks and futures returned 24%, compared with 18.7% for the Standard & Poor's 500 stock index.

Unfortunately for Mr. Marant, the Securities and Exchange Commission won't let him run money for others.

"With everyone who is ending up in jail because of insider trading, here's one insider who wants to become" an investor, Mr.

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# Crossing network aiming for liquidity

**By Chuck Paustian**

While the developers of the first electronic crossing network try to boost liquidity and increase efficiency, creators of a second network expect theirs to be operating this month, and Chase Manhattan Bank officials still contemplate establishing a third network.

Despite several, earlier crossing attempts that failed because of lack of liquidity, three pension funds and three money managers crossed about 686,000 shares April 23 through Instinet Corp.'s electronic crossing network.

(Another 373,500 shares were crossed the same day between two institutions that had arranged the transaction themselves.)

The electronic crosses worked, in part, because of a new effort to cultivate both sides of a trade and a new commitment to using the system any day there is sufficient demand, said Edward C. Story, a partner with Plexus Group, Santa Monica, Calif., which markets the crossing network for Instinet.

Institutional investors that previously used or attempted to use the Instinet network generally welcomed the new features.

"Personally, I think it is a very positive move," said Lester T. Brol, a trust officer in the strategic investment group at The Northern Trust Co., Chicago, which was one of the first institutions to use the Instinet network.

"If I'm the person instigating the crossing, I can let the world know I have a vanilla index program I want to do on the system that evening," he said.

Although Northern has tried to use the system a few times, it has had only one successful crossing.

"You just need a massive amount of liquidity to make this thing work and make it attractive to participants," said Theodore R. Aronson, partner of Aronson & Fogler, Philadelphia, whose firm has yet to succeed in crossing.

The crossing network appeals particularly to index fund managers that often have baskets of stock they want to trade but usually aren't active traders.

"A passive fund, unless you're putting money in or taking money out, doesn't need as much trading. We try to trade as little as possible, anyway," said Carl Liebscher, director-investments at Deere & Co., Moline, Ill. About $1 billion of Deere's $2.2 billion pension fund is invested in a passively managed equity portfolio.

Mr. Story said in addition to the system's daily availability (instead of only Wednesdays and the day before the first and 15th of each month), crossing network personnel will try to spark additional activity by eliciting information from participants on whether it's a buy or sell transaction, how many different stock names there are and whether the basket is part of the Standard & Poor's 500 stock index.

Under this approach, if one institution entered a transaction into the electronic crossing, Instinet and Plexus personnel can try to locate the other side of the transaction from among system users.

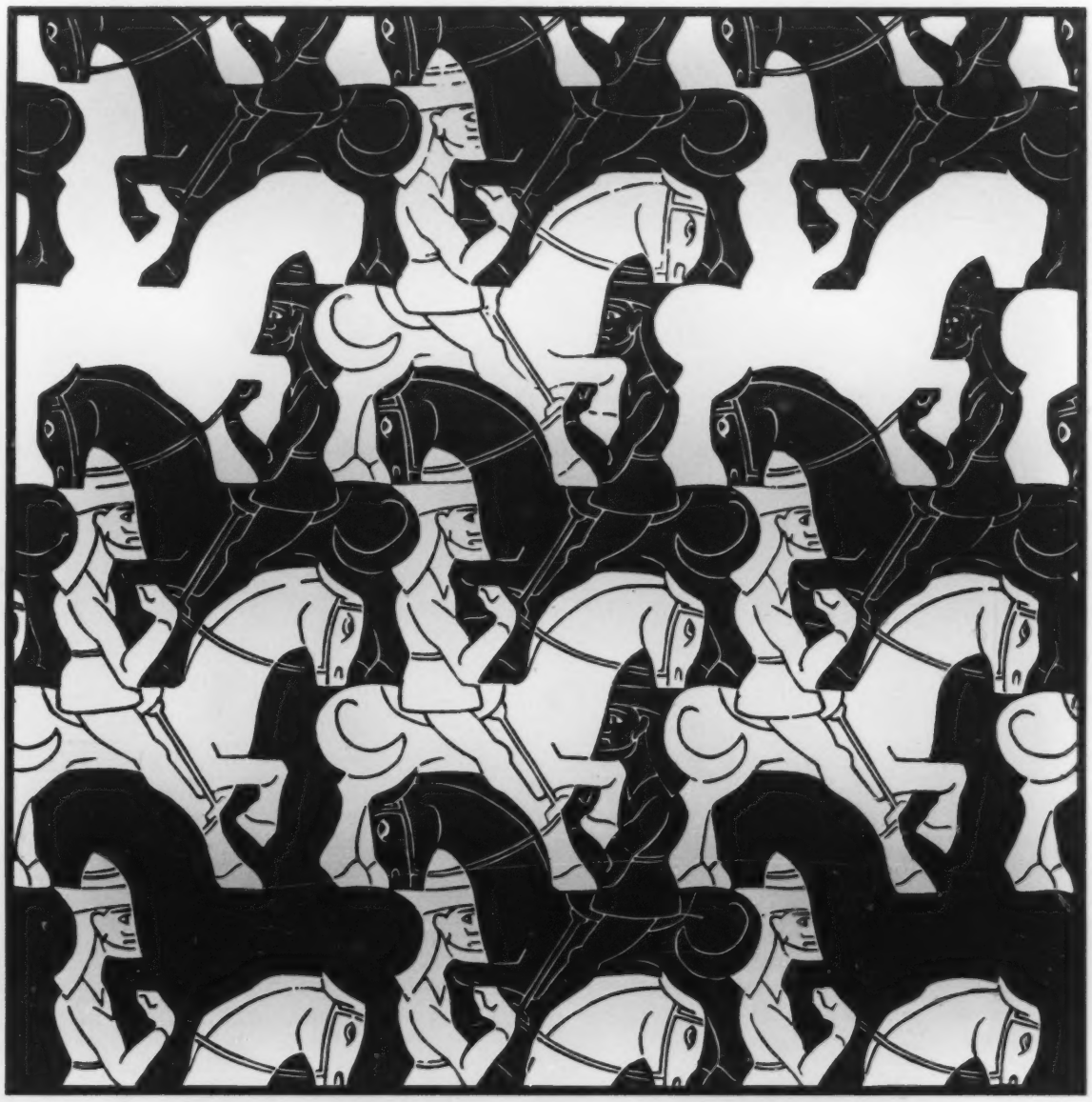
Progress on the other electronic trading system — developed by Jefferies & Co. Inc., Los Angeles, and being marketed by the consulting firm BARRA, Berkeley, Calif. — continues.

"We've been testing and just getting ready," said Donald L. Luskin, senior vice president in the Chicago office of Jefferies. ■

## Corrections & clarifications

• The estimate of assets **Leland O'Brien Rubinstein Associates Inc.**, Los Angeles, has under management in its portfolio insurance programs is $22 billion. A table in the April 20 issue contained an incorrect figure.

• Mention of **Douglas Sheldon,** senior investment officer-real estate, was omitted inadvertently from the questionnaire submitted by the California State Teachers' Retirement System for inclusion in the Jan. 26 profile issue.

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# Corporate Finance

## Firms drop currency swap

By Marci Baker

Although the volatile foreign exchange and interest rate environments generally are keeping U.S. issuers out of the international financing arena, some U.S. corporations have begun to go after cheaper financing through the issuance of unhedged currency-based bond offerings.

Exceptions exist, but the weak dollar and uncertain U.S. interest rate environment have contributed to making swap-driven, currency-related deals uneconomic for U.S. issuers.

Non-dollar debt offerings, however, can provide savings on financing costs for some companies willing to forgo the swap and retain the exposure to fluctuations in the exchange rates, issuers and investment bankers said.

A few U.S. issuers already have dabbled in the concept. The Black & Decker Corp., Towson, Md.; IBM Corp., Armonk, N.Y.; The Dow Chemical Co., Midland, Mich.; and Chevron Corp., San Francisco, issued debt denominated in Swiss francs and deutsche marks earlier this year.

None of these transactions included full currency swaps, although investment bankers said some might have been partially hedged with swaps or forward contracts to reduce currency risk on interest payments.

Moreover, General Motors Corp., Detroit, raised debt last May, but opted against swapping the interest and principal obligations into U.S. dollars.

"You may start to see some more issuers doing (unhedged offerings)," said William Schroth, managing director at First Boston Corp., New York. "There are a good deal of people talking about it."

Andreas Tobler, vice president at Credit Suisse, agreed, adding the greatest prospects for unhedged or partially hedged currency transactions lie with the lowest coupon markets, including Japan, West Germany and Switzerland.

Coupons on currency-denominated issues in these markets can be three to four percentage points lower than rates on comparable offerings in the U.S. market, investment bankers explained. At the same time, the dollar has depreciated substantially against the yen, deutsche mark and Swiss franc.

Further declines in the dollar's value would narrow the gap between the non-dollar and would-be dollar-based cost of financing, because the issuer's foreign exchange costs associated with making interest and principal payments would increase. That drop in the dollar would have to be substantial, however, before the cost advantage would be eliminated.

Meanwhile, the issuer would benefit further if the dollar began to climb against the issuing currency.

Issuers launching unhedged currency-based transactions generally have operations in the countries in which their deals have been sold. Plus, they already have done non-dollar deals and are comfortable working with foreign currencies.

Some issuers are doing the transactions to meet funding obligations in those currencies, while others have launched deals for the currency play.

Black & Decker in February raised money to pay off $100 million in Eurobonds carrying a 9⅛% coupon through an offering of 5⅞% notes denominated in deutsche marks.

"We have very significant deutsche mark exposure through our manufacturing operations in Germany," said Stephen Page, treasurer, explaining the company's decision not to swap its new obligation into U.S. dollars.

The currency exposure is not a concern for accounting purposes, he added: "The currency fluctuations are a special equity item for accounting purposes, so there's no consequence to the profit and loss statement."

Like Black & Decker, Dow Chemical has operations in foreign countries, including Switzerland, although meeting Swiss franc funding obligations was not the main reason for its recent note offering in that currency. Rather, it was done for the currency and interest rate play.

The company raised roughly $130 million through a 200 million Swiss franc offering of 12-year notes carrying a 4¾% coupon. A comparable U.S. offering at the time would have carried an 8% to 8½% coupon.

"We were looking around for alternative financing opportunities. Swiss franc rates were more attractive than U.S. dollar rates," said Robert Lafferty, manager-funding operations.

Dow also ran estimates on how much the dollar would have to decline against the Swiss franc before the cost of the currency transaction would "break even" with a comparable dollar transaction. "The drop would have to be fairly substantial before the issue would become more expensive to us than a dollar offering," Mr. Lafferty said.

Despite the example set by Dow and others that have engaged in unhedged currency-denominated debt deals, the majority of U.S. issuers will wait for swap-driven financing opportunities to arise.

"I have a hard time believing that companies would want to engage in outright (currency) speculation when it comes to their liabilities," said Ken Sullivan, managing director at Drexel Burnham Lambert Inc., New York.

John Lipsky, vice president at Salomon Brothers Inc., New York, agreed, noting the swap market has evolved because most corporations don't view debt financing as an appropriate avenue for speculating in foreign currencies.

"If you issue without a swap, what you are essentially doing is playing in the currency markets," said the chief financial officer at a major U.S. bank. "I can make currency plays in other ways. I don't need to do it with my debt offerings."

"U.S. corporations are conservative and don't like to go unhedged in currency-based offerings," said a banker at Yamaichi International Inc. Predictions that more companies would enter into unhedged deals may be more rhetoric from Wall Street firms than an actual trend, he said.

He conceded, however, that issuing in yen without a swap is a way to achieve attractive financing in the current non-dollar environment. "After you add in the

*Continued on page 22*

## TV anchors bank deal

By Brad Rudin

HEWLETT, N.Y. — When Anchor Savings Bank decided to go public, the use of television to advertise the offering came as easily as switching on the set.

The use of television to promote the public offering, a rare practice, helped the bank raise gross proceeds of $202.3 million.

"We're just doing what we've always done," said Dor.ald L. Thomas, chairman and chief executive officer and a veteran of almost two decades in front of the camera on behalf of Anchor.

Anchor, the 15th largest thrift in the country, operates 132 branch offices in New York, New Jersey, Florida and Georgia. It added 104 offices from 1981 to 1985 by acquiring 13 troubled thrift institutions.

In addition to diversifying its geogra-

*Continued on page 22*

*Barbara and Donald L. Thomas used TV to promote a public offering.*

## Pace of credit downgrades slows in first quarter

By Brad Rudin

Although the number of downgrades continued to outpace the number of upgrades, the downward slide of corporate credit quality slowed during the first quarter.

The five credit-rating agencies handed out 186 downgrades and 89 upgrades in the first quarter compared with 211 downgrades and 87 upgrades in the fourth quarter of 1986.

"Corporate credit quality stabilized somewhat in early 1987," according to a Standard & Poor's Corp., New York, statement announcing the first-quarter rating results.

Restructurings continued to inject an additional element of risk in corporate debt, the Standard & Poor's statement said.

For example, S&P downgraded Goodyear Tire & Rubber Co., Akron, Ohio, to reflect asset sales that will be used to fund most of the company's $2.6 billion stock repurchase plan, which followed Sir James Goldsmith's unsuccessful bid for the company.

All five credit-rating agencies handed out more downgrades than upgrades, but the proportion of downgrades to total rating actions dipped at two agencies. Downgrades amounted to 66% of the first-quarter rating actions taken by Moody's Investors Service, New York, compared with 83% in the fourth quarter of last year. At Duff & Phelps Inc., Chicago, the percentage of downgrades to total actions edged down to 60% from 61% in the previous quarter.

Downgrades accounted for 74% of Standard & Poor's ratings actions in the first quarter, up two percentage points from the last quarter of 1986. Analysts at Fitch Investors Service Inc., New York, decided on downgrades in 71% of their rating actions in the first quarter, up from 57% during the fourth quarter. At McCarthy, Crisanti & Maffei Inc., New York, analysts handed out downgrades in 53% of their first-quarter rating actions compared with 46% in the previous quarter.

Deteriorating credit quality among financial institutions emerged as a theme in the first-quarter data made available by the rating agencies. Both Standard & Poor's and Moody's reported the lower quality of assets held by banks contributed to the downgrades.

Moody's, citing the banks' exposure to energy and real estate loans, downgraded MCorp., Dallas, Allied Bancshares Inc., Houston and RepublicBank Corp., Dallas. In the RepublicBank action, the agency also cited the proposed merger with InterFirst Bank Dallas N.A. InterFirst suffers from weaker asset quality than RepublicBank, Moody's said.

Chase Manhattan Corp.'s rating by Moody's slipped because of "competitive pressure on the company's core business franchise," according to an agency report. Moody's downgraded Merrill Lynch & Co., saying the investment bank's commitment to merchant banking raises the risk of its debt issues.

The utilities presented a brighter picture, according to Standard & Poor's, which gave this sector the distinction of being the only group among five to receive more upgrades than downgrades.

Overall, the rating agencies seemed cautiously optimistic about credit quality.

"For the remainder of the year, we would expect a better balance between upgrades and downgrades, barring the resurgence of takeover mania," said William A. Cornish, chairman of the credit-rating committee at Duff & Phelps. Mr. Cornish, in a statement, pointed to cost reductions and the sale of "subpar operations" as reasons for the optimistic outlook.

In its statement, Moody's predicted "downgrades of corporations and financial institutions will continue to outpace upgrades by a substantial margin during 1987 — though to a lesser degree during 1986." A prolonged decline of the dollar, an increase in interest rates, higher oil prices and shaky loans to less developed countries could exert additional pressure on credit quality, Moody's added in a more negative note.

Economists from outside the credit-rating agencies offered an optimistic short-term view of credit quality, saying the dollar's

*Continued on page 22*

### Corporate credit rating changes

| | 1st quarter 1987 | | 4th quarter 1986 | | 1st quarter 1986 | |
|---|---|---|---|---|---|---|
| | Up | Down | Up | Down | Up | Down |
| Duff & Phelps | 21 | 31 | 15 | 23 | 15 | 23 |
| Fitch Investors Service | 7 | 17 | 6 | 8 | 10 | 7 |
| McCarthy, Crisanti & Maffei | 8 | 9 | 15 | 13 | 9 | 18 |
| Moody's Investors Service | 25 | 50 | 15 | 75 | 35 | 78 |
| Standard & Poor's | 28 | 79 | 36 | 92 | 22 | 76 |

Source: Data from the rating services

## TV deal . . .

*Continued from page 21*

phic base, Anchor has been boosting non-interest sources of income by emphasizing the sale of assets and fees from loan origination and servicing.

The bank recently sold 17,595,000 shares in a subscription offering that converted it to a federally chartered stock from a federally chartered mutual savings bank. Because of strong investor demand, the bank offered more than the 15,300,000 shares indicated in the offering circular.

Each share sold for $11.50, the top of the range indicated in the circular.

Pleased by investor response to the offering, Mr. Thomas hailed Anchor as being "the first thrift institution that completely sold out its offering through the community without the help of Wall Street."

In a subscription offering, shares are offered to customers and employees. People who live in counties where the bank has offices also are eligible to buy stock.

If the subscription offering had failed to sell all the shares, a syndicate made up of Salomon Brothers Inc., Goldman, Sachs & Co., Prudential-Bache Securities Inc., Shearson Lehman Brothers Inc. and Smith Barney, Harris Upham & Co., all of New York, would have underwritten a public offering of the unsold shares.

Madison Avenue likely helped to make the services of Wall Street unnecessary.

Anchor has used television in its efforts to transform itself into a regional banking network with assets of $7.3 billion from a local bank with $260 million in assets.

"My wife and I have been on television for 18 years," said Mr. Thomas, who joined the bank in 1966. "We've been beating the drums for a long time."

Barbara Thomas suggested a part for herself in the commercials, saying her presence would underscore the bank's commitment to equal opportunity for women, Mr. Thomas recalled. "She earns $1 a year and she does it just to help me out."

Their tag line, "Your Anchor banker, he understands; your Anchor banker, she understands," is one of those familiar lines television viewers anticipate.

"We've got great recognition," Mr. Thomas said. "We've been stopped in London, Rio de Janeiro, Buenos Aires and Singapore. It's amazing the recognition you get from TV."

Mr. Thomas will get an extra measure of recognition from investors if he can continue to improve the bank's once-doleful, bottom-line performance. Anchor suffered net losses from 1982 through 1985, turning the corner last year with a profit of $41.2 million.

During the early 1980s, when thrifts began living with deregulation, Anchor found itself squeezed between savings accounts that reflected changing money market rates and long-term fixed-rate mortgage loans. The reduced spread between the income earned by the bank's assets and the cost of its funds contributed to operating losses that moved to $53.2 million in 1985 from $7.4 million in 1982.

The bank's return to profitability rests on the reduced cost of funds resulting from lower interest rates and a strategy that reduces its sensitivity to interest-rate fluctuations.

Anchor in the past several years has tried to improve its asset/liability management by selling its long-term fixed-rate loans and buying shorter-term or variable-rate instruments with the proceeds.

The bank also has sought to insulate itself from interest-rate risk by expanding the fee-generating services available to customers. Anchor intends to establish an investment management unit and a trust department after getting regulatory approval.

# Medical benefits timetable set

STAMFORD, Conn. — A definitive statement by the Financial Accounting Standards Board on the accounting treatment of retiree medical benefit liabilities, which experts claim could exceed an organization's net worth in many cases, will not be forthcoming until after the first quarter of 1989.

The seven-member board has established a general timetable leading up to the final statement. In a bulletin to clients, the international consulting firm of William M. Mercer-Meidinger-Hansen Inc. reported the timetable includes an exposure draft of the accounting statement during the first quarter of 1988 followed by public hearings on the issue in the third quarter of 1988. A final statement is scheduled to be released in the first quarter of 1989 with the effective date yet to be determined.

Michael Merlob, an associate in the Stamford office of Mercer-Meidinger-Hansen who prepared the bulletin, said "it is quite clear from the tone of the meetings that recognizing the cost of other post-employment benefits is an issue that employers will have to address."

The cost of post-retirement health benefits to corporations is a potentially formidable problem because liabilities in many of these plans have been mounting and few companies pre-fund retiree medical liabilities.

Many benefit experts claim when the FASB statement requires recognition of these liabilities, employers' balance sheets may reflect drastic changes.

"Employers may soon have to make some difficult decisions about their post-retirement benefit plans," Mr. Merlob wrote.

Among the decisions employers will face will be, "whether to reduce their potential exposures."

In order to make these decisions on an informed basis, employers will need information such as a detailed analysis of current retiree medical costs, he wrote. ■

## Firms dropping currency . . .

*Continued from page 21*

cost of the swap, there's no net advantage over doing a straight dollar deal domestically," he said.

Not surprisingly then, many U.S. companies are preferring to wait out the uncertainty in the currency and interest rate environments.

"We are always looking for financing opportunities, but it's difficult to do anything cost effectively right now," said Mitch Johnson, senior vice president-corporate finance at the Student Loan Marketing Association, Washington. "Issuers and investors both are sitting on the sidelines until some direction in the markets becomes clearer."

If companies must raise capital, especially of any size, "the only market to go to is really the domestic market," said Mr. Tobler.

But some overseas or non-dollar financing opportunities have come up, particularly for high-quality industrial and financial concerns.

For U.S. issuers, there has been a real shift toward the less volatile, higher-yielding currencies, where issuers can still get cheaper all-in financing after swapping obligations into dollars, Mr. Lipsky said. In particular, demand has remained strong for Australian and New Zealand dollar-denominated offerings launched in the United States.

Increased demand by Japanese investors late last month led foreign and U.S. issuers, including Morgan Guaranty Trust Co., Morgan Stanley Group Inc. and the World Bank, to launch yen-denominated offerings.

The greatest potential overseas has been and continues to be with equity-linked transactions, Mr. Sullivan said.

The world stock markets are booming and investors are eager to buy equity-linked deals, both in the Eurodollar and currency markets, said Mr. Tobler.

Japanese issuers have been the most active issuers lately of Euro-convertibles or debt with equity warrants. Some U.S. corporations have participated as well. Cetus Corp. raised $100 million in late April with an offering of 15-year convertible Eurobonds.

Other issuers, meanwhile, have sought to stimulate lackluster demand in the Eurodollar market with offerings of Eurodollar debt with gold warrants.

But as long as the value of the dollar remains uncertain, overseas investors will not have a taste for dollar issues. Only one-third of overall international issuance has been dollar-denominated so far this year, a decline from 1986 when 55% was done in dollars, said Mr. Lipsky. ■

## Credit . . .

*Continued from page 21*

decline to date will bolster corporate balance sheets and credit quality.

Increases in the prices of imported goods will enable U.S. manufacturers to boost their own prices, a development that augurs well for profits because unions do not have the clout to push up wages, said Stan Shipley, an economist at E.F. Hutton & Co., New York.

In the short term, the trade advantages produced by the declining dollar offset the devalued dollar's upward pressure on interest rates, said Neal M. Soss, chief economist at First Boston Corp., New York. A prolonged uptick in interest rates would weaken the economy and erode credit quality, he said.

Some of the good news coming from the rating agencies is the result of companies raising equity to replace debt, said David D. Hale, chief economist at Kemper Financial Services Inc., Chicago. "I think what you are looking at is the counterpart to the big stock market boom."

A healthy equity market will support credit quality for the next few quarters, but the longer term prognosis remains clouded by the possibility of a recession in 1988 or 1989, Mr. Hale said. ■

## New issues of corporate securities

March 30 — April 2

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 3/31 | CMO Trust 27 | 748.13 | GNMA CMO | 99.19% | .504 | OTC | Salomon Brothers |
| 4/2 | M.D.C. Asset Investors Trust III | 363.00 | FHLMC CMO | 99.97% | .600 | OTC | Salomon Brothers |
| 4/3 | GS Trust 2 | 310.02 | FHLMC CMO | 99.91% | .571 | OTC | Goldman, Sachs |
| 3/31 | Collateralized Mortgage Securities | 301.50 | FHLMC CMO | 100.00% | .575 | OTC | First Boston |
| 4/3 | Citicorp | 300.00 | Sub. Cap. Note | 99.64% | .677 | OTC | Salomon/Merrill Lynch/Shearson Lehman |
| 3/31 | FBC Mortgage Securities Trust XIII | 250.00 | FHLMC CMO | 99.94% | .500 | OTC | First Boston |
| 4/1 | ML Trust XII | 201.00 | FNMA CMO | 99.75% | .877 | OTC | Merrill Lynch |
| 4/3 | Bank of New England Corp. | 200.00 | Sub. Cap. Note | 99.20% | .680 | OTC | MS/KEEFE/GS/MLCM* |
| 4/1 | Reynolds Metals Co. | 200.00 | Cvt. Sub. Deb. | 100.00% | 2.000 | NY | Goldman, Sachs |
| 4/1 | ML Trust XII | 177.00 | FNMA CMO | 99.91% | .500 | OTC | Merrill Lynch |
| **Common Stock** | | | | | | | |
| 4/1 | UAL Inc. | 226.00 | | $56.50 | 2.00 | NY/MW/PC | Morgan Stanley/Merrill Lynch |
| 4/1 | Georgia Gulf Corp. | 137.00 | | $34.25 | 4.09 | OTC | Goldman, Sachs |
| 4/3 | Newmont Gold Co. | 124.00 | | $31.00 | 3.55 | NY | Kidder, Peabody/Lazard Freres/Salomon |
| 4/1 | ASARCO Inc. | 78.80 | | $22.50 | 4.00 | NY | First Boston |
| 3/31 | Western Investment Real Estate Trust | 69.60 | | $19.88 | 5.74 | AM | Merrill Lynch/Donaldson, Lufkin & Jenrette/A.G. Edwards |
| 4/2 | The Cherokee Group | 55.00 | | $22.00 | 4.00 | OTC | First Boston/Shearson Lehman |
| 4/1 | Homestead Financial Corp. | 38.10 | | $10.88 | 5.70 | NY | Drexel Burnham Lambert/Merrill Lynch |
| 4/3 | Hadson Corp. | 34.00 | | $8.50 | 5.88 | OTC | Shearson Lehman/PaineWebber |
| 4/1 | A.M.E. Inc. | 23.60 | | $13.50 | 6.96 | IPO | Merrill Lynch |
| 4/2 | Portage Industries Inc. | 10.30 | | $7.50 | 8.00 | IPO (AM) | Ingham Becker & Co. |

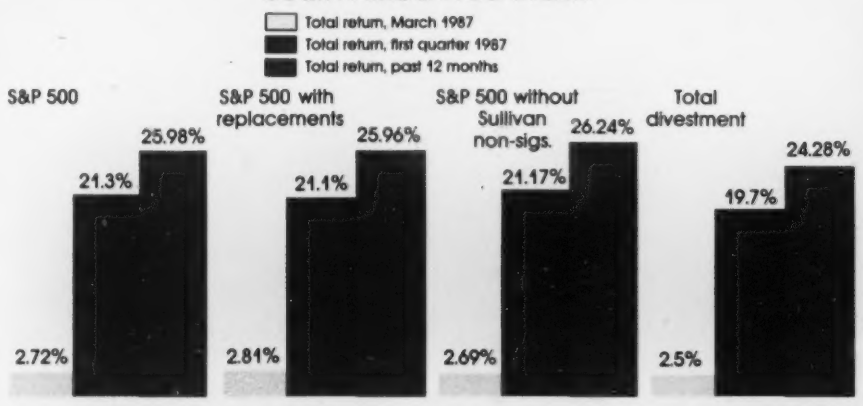
# Statistically speaking

The Statistically Speaking page offers an at-a-glance look at statistics for the latest quarter.

The Wilshire South Africa Free Index, Mercer-Meidinger bullet GIC data, First Chicago's MMI and the Russell 3000 returns will appear regularly.

Other data will be used as time and space allow.

## South Africa Free Index




Source: Wilshire Associates, Santa Monica, Calif.

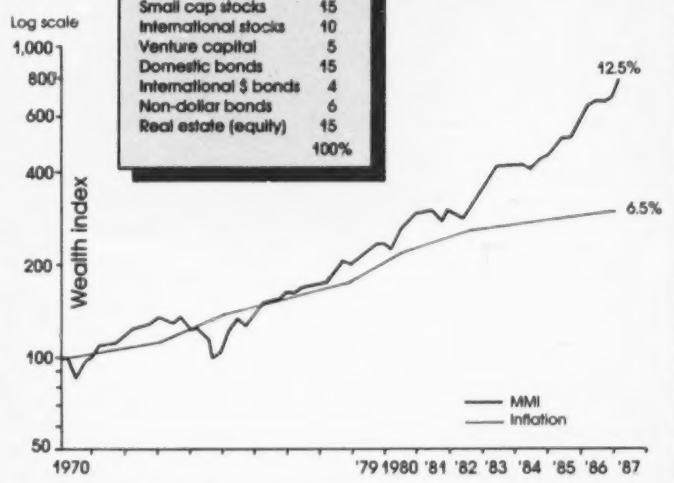
**S&P 500 with replacements:** replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 20 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

## Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.

| | Weights |
|---|---|
| Large cap stocks | 30% |
| Small cap stocks | 15 |
| International stocks | 10 |
| Venture capital | 5 |
| Domestic bonds | 15 |
| International $ bonds | 4 |
| Non-dollar bonds | 6 |
| Real estate (equity) | 15 |
| | 100% |

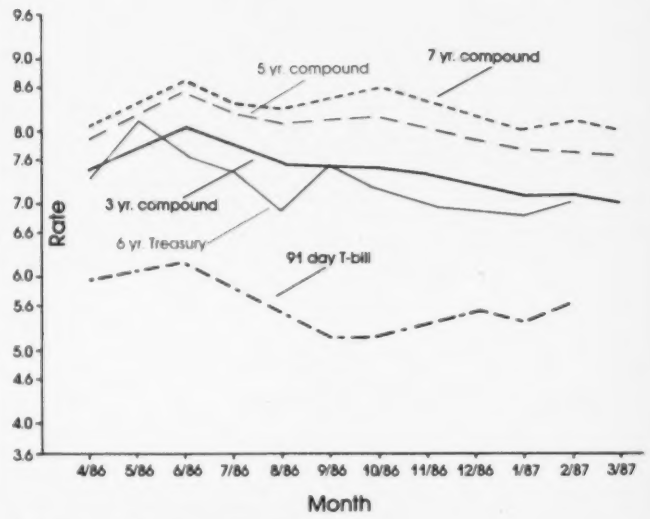
| | |
|---|---|
| Five-year annualized return | 22.2% |
| One-year return | 20.9% |
| Latest quarter | 13.4% |




12/31/69 = 100 Data through 3/31/87

Source: First Chicago Investment Advisors, Chicago

## William M. Mercer-Meidinger-Hansen Inc. summary of average bullet GIC data vs. market yields ($ millions)




Source: William M. Mercer-Meidinger Inc., Louisville, Ky.

## First quarter 1987 returns

| | Russell 3000 | Russell 1000 | Russell 1000 by market capitalization | | | | Russell 2000 |
|---|---|---|---|---|---|---|---|
| | | | Large | Medium/large | Medium | Medium/small | |
| Technology | 30.6% | 30.6% | 27.1% | 33.4% | 40.7% | 31.2% | 30.7% |
| Health care | 26.1 | 25.8 | 23.8 | 30.9 | 25.4 | 27.6 | 28.2 |
| Consumer discretionary | 24.5 | 24.9 | 24.7 | 26.5 | 24.4 | 22.4 | 21.9 |
| Consumer staples | 19.7 | 19.6 | 18.2 | 21.9 | 19 | 15 | 21.7 |
| Integrated oils | 25.4 | 25.4 | 25 | 33.1 | 15.6 | 23.5 | 13.7 |
| Other energy | 26.7 | 25.7 | — | 27.1 | 22.8 | 28.7 | 34.5 |
| Materials and processing | 28.4 | 28.6 | 34.8 | 24.7 | 29.9 | 28.3 | 27.6 |
| Producer durables | 19.6 | 19 | 2.2 | 20 | 23.4 | 19.3 | 23.5 |
| Auto and transportation | 22.8 | 23.3 | 32.6 | 22.4 | 16.3 | 20.2 | 16 |
| Financial services | 13.1 | 12.7 | 20.7 | 9.1 | 11.9 | 14.7 | 17.4 |
| Utilities | 3.4 | 3.2 | 2 | 3.7 | 3.9 | 6.1 | 12.5 |
| Total | 20.6 | 20.2 | 20.3 | 20.2 | 20 | 20.4 | 24.3 |

Source: Frank Russell Co., Tacoma, Wash.

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# Executives warned of proxy vote liability

**By Marcia Parker and Marlene Givant**

WASHINGTON — Corporate executives who direct the voting of pension fund proxies might be assuming liability for their outside managers' day-to-day investment decisions, warned two top officials of the Labor Department's Pension and Welfare Benefits Administration.

In addition, money managers and bank trustees who allow corporate executives to vote fund shares without explicit authority from the trust agreement are not relieved of their fiduciary liability, the officials said on separate occasions.

The warnings came at the end of a proxy season in which at least 60 companies waged aggressive campaigns against proposals designed to rescind or put to a vote shareholder rights' plans adopted by the companies without shareholder approval (*Pensions & Investment Age*, March 9). Shareholders rights' plans are often known as "poison pills" because they are designed to make unfriendly takeover bids difficult.

In some of the proxy solicitation campaigns, some corporate chief executive officers asked other chief executives to urge their pension fund managers to vote the pension fund proxies with management.

The Department of Labor is researching how pension plans handle proxy voting and whether institutional investors are contacted by corporations attempting to influence proxy votes. The department is "looking for a good case" to test current practices, said David Walker, deputy assistant secretary of labor.

Mr. Walker also warned that if an investment manager follows the direction of a third party — the corporate client — on a proxy vote, neither the manager nor the company is "off the hook" with regard to fiduciary responsibilities, unless the pension plan's trust agreement specifically gives

*Continued on page 58*

*Labor's David Walker is seeking a proxy test case.*

Pensions & Investment Age

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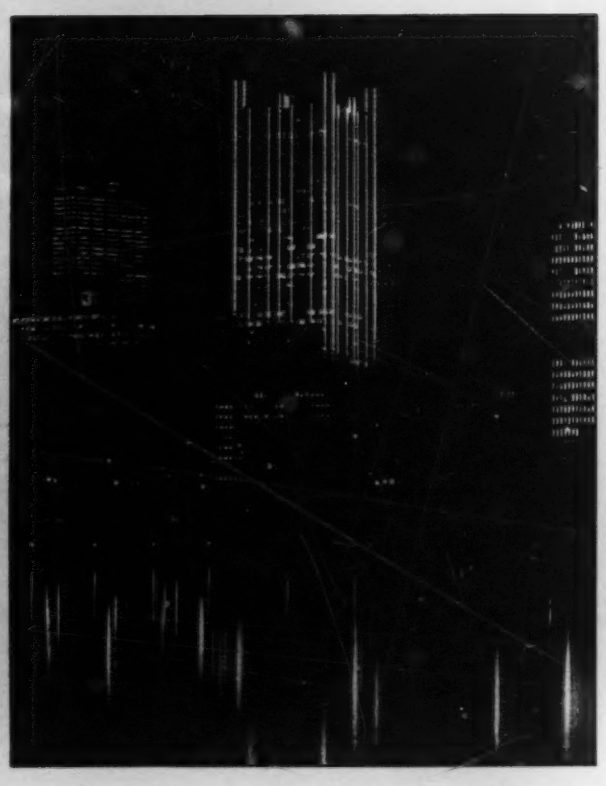
## Inside:



CASH MANAGEMENT: PPG Industries, whose headquarters is shown above, is one of six companies in a pilot program using the automated clearinghouse to pay trading partners electronically — Page 27.

CORPORATE FINANCE: Philips International BV of Eindhoven, the Netherlands, attracted the interest of U.S. corporate officials by planning to use a number of regional syndicates for its 20 million share, $500 million global stock offering — Page 43.

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# McKesson leads move to drop annual reports

**By Barry B. Burr**

At least one major corporation — McKesson Corp., San Francisco — is abolishing its annual report, and others are considering following suit.

McKesson, backed by the Securities and Exchange Commission, will become the first to kill its annual report as a means of disclosing its financial statements.

The sharp change in reporting to shareholders, initially advanced by General Motors Corp., Detroit, and the Financial Executives Institute, appears likely to be adopted by other companies, including GM and Walt Disney Productions, Burbank, Calif.

Executives interviewed pointed out the impetus for the change is to improve readability of company reports to shareholders and to save money on publishing a glossy annual report.

Disney Controller Bruce F. Johnson said his company could scrap its annual report this fall. "We're giving serious consideration to it as we're asking other FEI companies to," said Mr. Johnson of the new reporting concept.

"A lot of (other companies) are thinking of doing it," added Eugene M. Flegm, GM's assistant controller.

Some companies might avoid producing even a summary report and provide only a proxy and a 10-K, he added.

McKesson in June will turn its glossy annual report into a summary more freely discussing the company's past and outlook with abbreviated financial statements, while disclosing its complete financial details in the tissue paper-like proxy statement.

Unlike GM and Disney, McKesson wasn't involved in the FEI project to simplify reporting, noted Alan Seelanfreund, executive vice president and chief financial officer for the drug and beverage distributing company.

"We looked at that (FEI project) and thought it made sense," Mr. Seelanfreund said.

McKesson's fiscal year ended March 31. Mr. Seelanfreund said the company plans to send out its new summary report together with the proxy to shareholders June 15.

A proposal to the SEC from GM in December suggested a reporting change similar to that McKesson will adopt and Disney is considering.

*Continued on page 61*

# *TI fund does leaseback*

**By John Covaleski**

Texas Instruments Inc., raising cash to increase its production capacity, has arranged a sale-leaseback of a 115-acre tract the company owns with its $750 million pension fund.

Under the pension fund's $34.3 million purchase, which was approved by the Department of Labor, TI will lease the tract in Plano, a Dallas suburb, back from the pension fund for a period of up to 10 years or until the fund terminates the lease to sell the tract.

The company has agreed to lease the property for 10% of the sales price annually, or $3.43 million per year, and pay all property taxes and utility charges.

The company also will pay the pension fund any difference between the $34.3 million purchase price and either the property's market value after the lease ex-

*Continued on page 55*

*The Rennerant Range in Plano, Texas, with a radar testing tower and offices, is the subject of a sale-leaseback by Texas Instruments.*

# Restructuring slashes assets

**By Fred Williams**

DALLAS — The restructuring of Diamond Shamrock Corp. into two companies following an unsuccessful takeover attempt has cut total employee benefit assets to $176 million from $256 million and pension assets to $123 million from $190 million near the end of 1986.

The takeover attempt by a group of investors led by T. Boone Pickens started in December and ended in March with a cash tender offer by the company for 20 million outstanding shares at $17 per share (vs. $15 per share from the Pickens group). It resulted in the spinoff April 30 of the Shamrock refining and marketing unit and the replacement of Shamrock's chairman and chief executive officer.

Diamond Shamrock changed its name this month to Maxus Energy Corp., Dallas; the refining and marketing subsidiary became Diamond Shamrock R&M Inc., San Antonio, Texas.

The restructuring also prompted the termination of five defined benefit plans.

Internal manager John Ring, director of pension investments at Diamond Shamrock, will retain that post with Maxus — managing Maxus' $112 million in pension assets — and will manage Diamond Shamrock R&M's $11 million in pension assets as well.

Although Mr. Ring's office managed about $256 million in employee benefit assets, that amount has dropped to about $176 million since the restructuring, including the assets of Diamond Shamrock R&M, he said. The assets dropped by the $80 million that was paid to Aetna Life and Casualty Co. to purchase annuities for participants in the five terminated plans.

Although the plans were "fully funded" at the time they were terminated, said Mr. Ring, there will be no asset reversions resulting from the action.

"The details are still in the process of being worked out, but any surplus will remain in the trust," he said. "My group will continue to manage their (Diamond Shamrock R&M) pension and savings plan assets. They will become a client. We have a contract with them just as with any investment manager with a client company," said Mr. Ring.

The decision to continue using the Maxus investment management service was made by Diamond Shamrock R&M, said Mr. Ring. "It gives them an opportunity to confront their principal problem, which is to set up what was a division into a complete operating company," he said. "They know the assets will be managed as they have been and have some continuity of management. If they decide to change they can make that decision in the future. Right now they have a full plate to take care of."

Robert C. Becker, vice president and treasurer of Diamond Shamrock R&M, said he has no immediate plans to seek outside investment management services for the plan.

"If we didn't trust him to run the plan, we wouldn't have stayed with him. John has done an excellent job.

*John Ring will manage assets of companies formed in the Diamond Shamrock restructuring.*

"We don't plan to do anything with regard to the pension plan until at least the first quarter of next year."

Mr. Becker said Diamond Shamrock R&M is ending its approximately $17.5 million employee savings plan to institute an employee stock ownership program. He said methods of distributing assets from the savings plan are being reviewed.

"That plan will be terminated and distributions made either to employees or some other alternative such as an (individual retirement account) rollover or ESOP rollover. It hasn't been decided yet," he said.

Mr. Ring declined to discuss the reasoning behind the termination of the five defined benefit plans in January. But sources said the terminations coincided with the Pickens group's effort to acquire Diamond Shamrock, and management probably wanted to put any surplus assets out of reach.

The remaining $123 million in pension assets are for the Maxus plan, which covers 2,500 employees, and a small portion for the former Diamond Shamrock chemical unit that was sold last year

*Continued on page 54*

# Turnaround due?

## Oil, gas exploration deals grow

**By Fred Williams**

Exploration programs, the riskiest investments in the oil and natural gas business, are gaining acceptance by pension fund officials and investment specialists who anticipate healthy returns for investors with long-term investment horizons.

Most experts believe the oil and gas market hit bottom in 1986 and prices, particularly gas prices, are poised for a spectacular recovery beginning in the next few months.

The resulting ground-floor opportunity for savvy direct oil field plays has prompted several pension funds to put assets into exploration and natural gas development programs. But these investments have yet to capture widespread interest in the pension industry.

Among the multiplayer deals that have captured tax-exempt money:

- Smith Offshore Exploration Co., Houston, launched a $145 million natural gas exploration deal involving seven tax-exempt investors — Harvard University, Massachusetts Pension Reserves Investment Trust, Yale University, Wellesley College, Duke University, University of North Carolina and the Kamehameha Schools/Bishop Estate of Hawaii. (*Pensions & Investment Age*, April 20.)
- Investment Advisers Inc., Minneapolis, completed a $10 million natural gas partnership last year involving investments from Gustavus Adolphus College, the Minneapolis Police Relief Association, Minneapolis Employees' Retirement Fund, Twin City Iron Workers Local 512, and Twin City Carpenters Retirement Fund (*P&I Age*, Jan. 12).

Meanwhile, a number of new deals are expected this year or are on the market, including offerings from Apache Petroleum Co., Minneapolis; Lawrence Energy Associates Inc. Boston; LANGASCO, Pittsburgh; and Merrico Resources Inc., Ardmore, Okla. American Energy Reserve Consultants, Houston, is in the final stages of a $50 million natural gas program involving pension fund investments.

Faced with all the new deals, pension fund executives are taking both an active and a wait-and-see approach to oil and gas investing. But few of those with existing investments are negative about the market's future.

David Norris, director-retirement funds at Boise Cascade Corp., Boise, Idaho, said his fund invested an undisclosed amount in the American Gas and Oil Investors' third program, AmGO III, in 1986. AmGO III closed with $17 million.

AmGO is a private placement limited partnership with First Reserve Corp., Greenwich, Conn., as general partner. Boise Cascade is also a participant in AmGO I.

"At the time we made the decision, we were looking at a market turn and we felt there was substantial upside potential," said Mr. Norris. "If you believe energy markets are cyclical, we made the commitment when it looked like we were at the bottom in petroleum prices.

"When you think about where energy costs are going, you are looking at some healthy returns in the future.

"We are seven years into the 1980s from those days in 1980-'81 when a lot of people made investments in oil and gas and got burned. I'm not an expert on gas prices, but our sense is that demand can certainly get to the place where we will have a correction in gas prices, which will make a lot of us smile."

Manville Corp., Denver, within the past month put $4 million into a J.P. Morgan Investment Management Inc. pooled oil and gas fund bringing its total investment to $23 million of a $30 million commitment to that fund.

C.F. Lemons, manager-pension and thrift funds, said Manville will fulfill existing commitments but isn't seeking new "illiquid investments" because it is reorganizing under the protection of Chapter 11 of the Bankruptcy Code.

Roger Wohlert, assistant treasurer-corporate finance at Southwestern Bell Corp., St. Louis, said the company's fund boosted its investment in producing properties through InterFirst Bank Dallas to $28 million as of March 31 from $15 million in February 1985.

"I think the outlook is now better than it was six months ago. We aren't seeing a lot of bargains, though. People are still paying some high prices," he said.

Southwestern Bell is committed to oil and gas and "we think through the longer term it will be a good investment," he said.

David Bullett, vice president-securities with the Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York, which has more than $200 million in oil and gas

*Continued on page 57*

# AAFES cuts back real estate

**By Fred Williams**

DALLAS — The nearly $1.2 billion pension fund of the Army & Air Force Exchange Service, Dallas, is de-emphasizing equity real estate investments because of anticipated lower long-range returns and is increasing international and domestic equity index investments.

Ken Weaver, assistant comptroller-insurance, said AAFES officials hired State Street Bank and Trust Co., Boston, to manage a $25 million Morgan Stanley Capital International Europe Australia Far East index fund, and gave $12.5 million each to existing active international equity managers Morgan Grenfell Investment Services Ltd., New York, and Citicorp Investment Management, London. The additional allocations bring Morgan Grenfell's assets under management for AAFES to about $42.5 million and Citicorp's to about $46.5 million.

In addition, $100 million will be placed in a Standard & Poor's 500 stock index fund with Wells Fargo Investment Advisors, San Francisco.

Mr. Weaver said the AAFES pension fund will reduce its current real estate allocation of approximately 8.4% of total assets to about 3% following an asset allocation study by Wyatt Asset Services Inc., New York.

"No new money will be going into real estate, and we will begin drawing our real estate position down in line with the asset/liability study," he said.

Mr. Weaver said real estate investments have not produced the returns AAFES officials need to continue to provide automatic cost-of-living adjustments for retirees.

"We have an aggressive plan with automatic cost-of-living allowances. Real estate has provided very good fund diversification, but not the good returns we need for our plan. We've had some decent returns in real estate:

*Continued on page 54*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

**P&I Age April indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | −0.9 | 20.29 | 26.53 |
| Russell 3000 | −1.68 | 18.55 | 21.62 |
| Ryan Index | −3.02 | −2.70 | 1.99 |
| Shearson Lehman Gov't./Corp. | −2.66 | −1.22 | 4.75 |

Source: Rogers, Casey and Barksdale Inc., and Frank Russell.

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# International assets on the move

## United Kingdom benefits from shift

By Marlene Givant

International money managers, believing the Japanese market is overvalued, are shifting to U.K. stocks the assets previously invested in Japan.

During the first quarter of 1987, the median non-U.S. equity portfolio was invested 34.3% in Japan vs. 36.1% during the last quarter of 1986. In the same period, the allocation to the United Kingdom increased 76%, to 18.5% from 10.5%, according to InterSec Research Corp., Stamford, Conn.

The median portfolio also increased its allocation to Pacific Basin markets other than Japan, to 10% from 8.4%, and lowered its allocation to continental Europe, to 30.6% from 38.1%.

The median portfolio was 1.6% invested in markets not included in the Morgan Stanley Capital International Europe Australia Far East index and 1.4% in cash. In the last quarter of 1986, the respective figures were 0.1% and 1.6%.

The median portfolio was overweighted compared with the index in all areas except Japan. The index's first-quarter weightings were 57% in Japan, 14.1% in the United Kingdom, about 5% in other Pacific Basin markets and 23.9% in the Continent. This compares with 53.9%, 13.2%, about 5% and 27.9%, respectively, in the previous quarter.

Among money managers reporting increased holdings in U.K. stocks were Schroder Capital Management International Inc., New York, which doubled its U.K. weighting during the first quarter to 20%; Kleinwort Benson International Investment Ltd., New York, which boosted its exposure to 23% from its 8% of last September; and Nomura Capital Management Inc., New York, up to 18% to 19% from 16%.

At the end of 1986, most managers expected strong U.K. economic growth in 1987 from high consumer demand. Some believed such growth would trigger increased demand for imports and severe selling of sterling, causing the government to raise interest rates.

When oil prices rose early this year, Schroder Capital's fear of such a development disappeared. Its executives believe other nations will spend more on oil imports, helping the heavily oil-driven economy to thrive and making Britain's economy more competitive. As an added bonus, the economy's growth will enhance government tax revenue, said Richard Foulkes, executive vice president. The firm runs nearly $2 billion for North American institutions, most of them tax exempt.

The expected re-election of Prime Minister Margaret Thatcher also is raising optimism, managers said.

"Declining interest rates, lower corporate taxation and strong (1986) GNP growth — at 3%, one of the more rapid rates in Europe — provided an unexpected boost to investor confidence in the U.K.," said Ian Lindsay, vice president of Kleinwort Benson, which runs $314 million, including $100 million for U.S. tax-exempt clients.

While nearly tripling its U.K. allocation, the firm trimmed its Japanese exposure to about 32% compared with 39% in October.

Kemper-Murray Johnstone International Inc., Chicago, however, underweighted the United Kingdom as of March 31 by supplementing equity exposure with a traded options program, said Michael Parlett, portfolio manager. Mr. Parlett said he thought the market would drop at the end of the quarter and it did, by 7%. Since then, the market has rebounded, swelling the firm's exposure to 15% from 11.3%.

The firm runs $334.9 million for U.S. tax-exempt clients.

Nomura Capital Management has reduced Japanese exposure relative to the index, but less so than most other managers.

"We do not change asset allocation substantially within a quar-

*Continued on page 58*

## Japan exposure cut 80%

By Marlene Givant

CLEVELAND — By sharply reducing its 80% exposure to Japan, the $290 million Cleveland-Cliffs Inc. pension fund here has cut its international assets nearly $20 million.

Since February, Cleveland-Cliffs' international equity holdings have dropped to less than 7% of assets or $20 million, including $16 million in Japan, from a peak of 13% of assets or $37.7 million, including $30 million in Japan.

Most of the money was shifted into intermediate-term corporate bonds, with a small amount going to domestic equities. The fund's overall asset mix is about 40% fixed income and 60% equities, with venture capital included in equities.

"We've brought international exposure down lately because the Japanese market has gotten a little frothy," said S. Sterling "Ted" McMillan III, vice chairman of Greenleaf Capital Management, Shaker Heights, Ohio, administrator of the fund. The firm manages $400 million, including the $290 million Cleveland-Cliffs fund.

Cleveland-Cliffs' fund had been internally managed by Mr. McMillan, until he left in October to join Greenleaf. He had worked at Cleveland-Cliffs for 21 years, most recently as vice president-finance.

*A "frothy" Japanese market has S. Sterling McMillan reconsidering his allocation there.*

Mr. McMillan didn't shift investment styles when he shifted jobs. Cleveland-Cliffs' approach seeks price inefficiencies, resulting in purchases of small, emerging growth and entrepreneurial company stocks, many of which are now overpriced in Japan, he said.

The managers really go out of their way to pick good stocks. In six years, they've spent 12 work weeks in the Far East dealing directly with local brokers. Europe is the next stop on their itinerary.

*Continued on page 58*

## *New wave sweeping bond arena*

By Marci Baker

Bond managers at Pacific Investment Management Co., Newport Beach, Calif., recently saw an opportunity to protect client portfolios from a potential increase in bond market volatility with a two-step hedging strategy using options and futures.

With options on Treasuries priced cheaply, the manager bought $300 million call options on Treasury futures in early April, effectively paying for the transaction through the simultaneous sale of Treasury futures.

A few weeks earlier, Bankers Trust Co. — Investment Management Group, New York, had bought cheaply priced puts on Treasury notes in an effort to hedge the downside risk on some of its pension accounts.

The transactions represent the new wave of fixed-income management, wherein bond managers make new, broader use of highly sophisticated investment vehicles to hedge portfolios.

Corporate pension funds, confronted with increased volatility in the bond market, and that volatility's impact on corporate balance sheets because of Financial Accounting Standards Board Statement 87, are seeking fixed-income managers who can reduce it.

The old-fashioned, "seat-of-the-pants" bond manager will not be able to prosper in the new environment, according to consultants and money managers. At the same time, they don't believe the traditional active bond manager will become obsolete.

GTE Corp., Stamford, Conn., for example, uses managers with and without hedging capabilities and, while GTE executives continue to look at such strategies for internal management, they have yet to use them.

"Over time, (derivative instruments)

*Continued on page 61*

# Endowment locks gains with cash

NEW YORK — To lock in significant equity gains, officials of the $535 million Rockefeller University endowment have shifted 10% of assets to cash from equities since January.

Another 4% was moved to international and small-capitalization stocks from straight domestic equity.

The current asset mix is 56% equity, including 7.5% international and some small-cap stocks; 20% fixed income; 12% venture capital and small-cap stocks that once were venture capital investments; 10% cash and cash equivalents; and 2% miscellaneous investments, according to David Lyons, treasurer.

"There's a growing consensus that the market is high when you look at discounted dividend models.

"Both our managers and the finance committee have concluded we should protect our remarkable gains even if it means giving up another leg of the bull market," said Mr. Lyons.

"Economics alone don't drive this (market). There's psychology; a lot of the growth is liquidity. But I don't think the fund would derive anything in the future like we've seen in the past few years."

The fund's equity and fixed-income manager, Rockefeller & Co., New York, which manages much of the Rockefeller family money, is far more bullish on long-term bonds than equities.

"When they look into their crystal balls, they probably think long bonds now will outperform the (Standard & Poor's 400 stock index), according to risk-adjusted present value models. They usually look ahead eight years.

"They would probably rate a 30-year Treasury today as better than the S&P 400," said Mr. Lyons.

In addition, he said an investor could lock in 10% per year over 10 years by investing in so-called "battered bonds" such as Government National Mortgage Association securities.

"It's hard to believe you'll do that well in the stock market. We expect a downward correction. If long-term Treasury rates continue to rise as they have been in the past six weeks, the managers may shift more to fixed income from equities," he said.

"There's a lot of concern that equities will go down.

"We've had such remarkable gains we'd certainly like to hang on to a portion of it and not lose it all."

The fund returned 15.3% for the year ended Dec. 31, 16.7% compounded annually for the three years and 19.1% compounded annually for five years.

The median returns of Merrill Lynch Consulting Service's universe of total balanced portfolios of 1,200 tax-exempt funds were 14.6% for one year ended Dec. 31, 15.3% annualized for three years, and 17.3% annualized for five years.

The fund was slightly above the median in the Merrill index last year, and in the top quartile for three and five years, according to Ronald J. DiPrinzio, the endowment's consultant at Merrill.

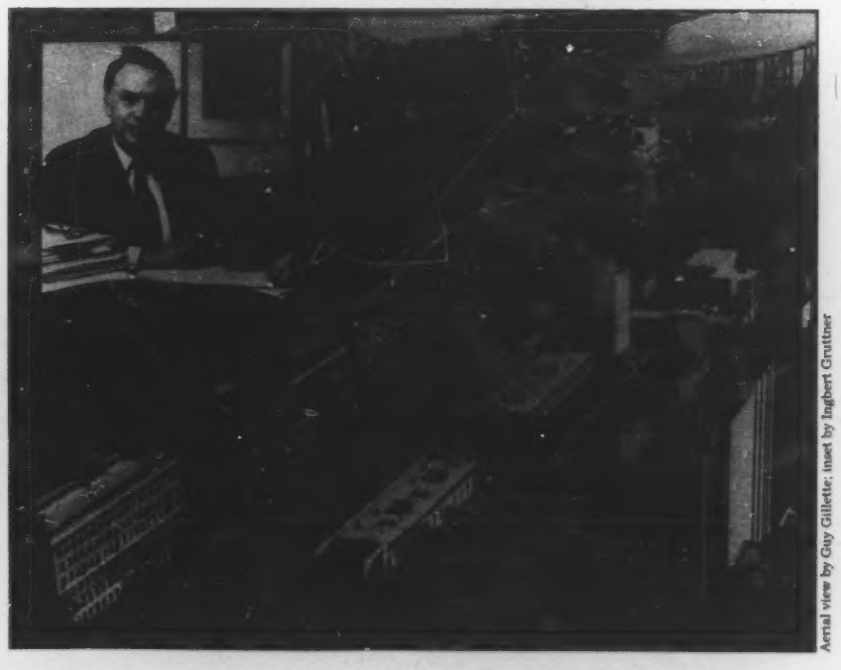
Mr. Lyons said the fund always looks better in the longer term because in any given year, its managers "are positioning."

Returns are high largely because managers are free to jump at opportunities as they spring up, Mr. Lyons said.

"There are no formal restrictions. Our managers meet with the finance committee three times a year. There's a back-and-forth, an exchange. They can certainly move quickly on a day-to-day basis. That was absolutely imperative to their performance.

"Our managers are opportunistic. Sometimes things are quiet for a while, sometimes not. We're getting into interest rate-sensitive stocks . . . There's always a

*Continued on page 55*



Aerial view by Guy Gillette; inset by Ingbert Grutzner

*David Lyons, inset, of Rockefeller University's endowment, is shifting assets to cash and international from domestic equities to lock in gains.*

**PIPER**

*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

# Technology gives equities big edge

By Trudy Ring

Investment in growth stocks, particularly those in the technology sector, aided the top bank and insurance company pooled equity funds in periods ended March 31.

A leader in every period covered by the latest Pensions & Investments' Performance Evaluation Report was Sun Banks Inc., Orlando, Fla. It placed first in the one-, three- and five-year periods ended March 31, second in the 10-year period and tied for eighth in the latest quarter.

PIPER includes 302 pooled equity funds. All returns for periods longer than a year are compound annualized.

Anthony Gray, president of Sun Bank Investment Management, a subsidiary set up by Sun Banks last year, said technology was, by far, the equity fund's star performer in the latest quarter. "We made just obscene profits in technology," he said.

While Sun Banks and several other fund managers had stellar performance, median PIPER equity funds failed to beat the Standard & Poor's 500 stock index in every period of the report

For the year ended March 31, the median fund returned 21.1%, compared with 26.2% for the index. For the most recent quarter, the median fund's return was 19.1%, the S&P 500's, 21.4%.

For the three years ended March 31, the median fund had a compound annual return of 25.1%, while the index had 27.4%. Annualized returns for the five-year period were 24% for the PIPER median and 26.6% for the index; for the 10-year period, 16.3% for the median and 17% for the index.

Sun Banks, however, beat the index handily in every period. The pooled fund returned 40.6% for the year and 26.9% for the quarter. On a compound annual basis, it was up 43.7% for three years, 39.7% for five and 23.2% for 10.

The fund, with assets of $270 million, invests in large-capitalization, well-known companies with above-average growth rates. Managers make large allocations to sectors they favor, none to those they don't.

The fund has just a market weighting in technology, Mr. Gray said, but does not hold IBM Corp., so has numerous other technology names, such as **Digital Equipment Corp., Computer Associates International Inc.** and **Intel Corp.**

The fund's technology component returned 70% in the first quarter, Mr. Gray said. "When I say it had a great quarter, it really had a great quarter."

Food companies constitute another favored sector, with holdings including **CPC International Inc., Kraft Inc.** and **Quaker Oats Co.**

A sector not favored by the Sun Banks fund is energy; the fund has no energy holdings and has not had for several years, he said.

Security Pacific National Bank, Los Angeles, overweighted technology stocks in its Equity E fund, helping it to outstanding performance in the most recent year and quarter. The Equity E fund returned 34.1% for the year, ranking second to the Sun Banks fund, and 33.6% in the quarter, placing first.

Three stock purchase criteria are followed in managing the $25 million Equity E fund, according to William H. Duncan, managing director of Pacific Century Advisers, San Diego, the Security Pacific subsidiary that manages the fund. The stocks must be in companies with positive earnings momentum; must be outperforming the market or have rising relative strength; and must be in a group that is outperforming the market.

In technology, which definitely beat the market in the first quarter, the fund's holdings include **Tandem Computers Inc., Seagate Technology, Apple Computer Inc.** and **Digital Equipment.**

The fund also was overweighted

*Continued on page 23*

**PIPER fund tables**


| | |
|---|---|
| Top-quartile bond | 16 |
| Top bond, by size | 18 |
| Top-quartile equity | 18 |
| Top equity, by size | 20 |


# High yields boost fixed-income pool

By Fred Williams

High-yield and high-coupon bond managers emerged as the top performers in Pensions & Investments' Performance Evaluation Report on bank and insurance company pooled fixed-income funds, with at least three of the top five funds for the quarter using high-yielding corporate securities of varying quality.

First Variable Life Insurance Co., Little Rock, Ark., topped the list for the three months ended March 31 with a return of 6.1% on its employee benefit fixed-income fund and came in third for the 12 months with 14.4%.

The median PIPER return for the quarter was 1.4%, and for the year, 8.4%. The Shearson Lehman Government/Corporate bond index returned 1.5% for the quarter and 8.1% for the 12 months, and the Salomon Brothers Long-term, High-grade Corporate Bond index, 1.9% and 10.2%. PIPER comprises 287 pooled fixed-income funds. Returns for longer than one year are compound annualized.

Rebecca Garner, vice president at Amherst Investment Management, which runs the First Variable Life D-2 fund, said the fund depends on high-yield, or junk bonds, but not exclusively.

"It's not just junk bonds," she said. "Some of our biggest gains were in nuclear utilities. We were able to buy single A bonds for about 45 cents on the dollar. I play sectors but we are very conservative for junk-bond players; I don't buy (leveraged buy-outs) and I don't buy blind pools. That's what people pay me to do.

"I don't play the current yield game; I play for total return. If you're looking for current yield this isn't where you belong. I don't buy and sell, I'm not a trader. I don't buy something just for the flip. When I buy I want to hold and when I sell it's either for credit reasons or it is overvalued. We rarely sell just to take a profit."

The First Variable portfolio, which contains about 30 issues and is broadly diversified by industry sectors, also did well for longer periods.

For three years ended March 31, the fund returned a compound annualized 18.4%, ranking in the top 20%, and for five years it returned 20.7%, ranking fifth in the PIPER universe.

Those figures compare with the median returns of 16.3% and 16.4%, for the respective periods in PIPER; the Shearson Lehman returns of 17.6% and 10.7%; and the Salomon returns of 23.5% and 17.5%.

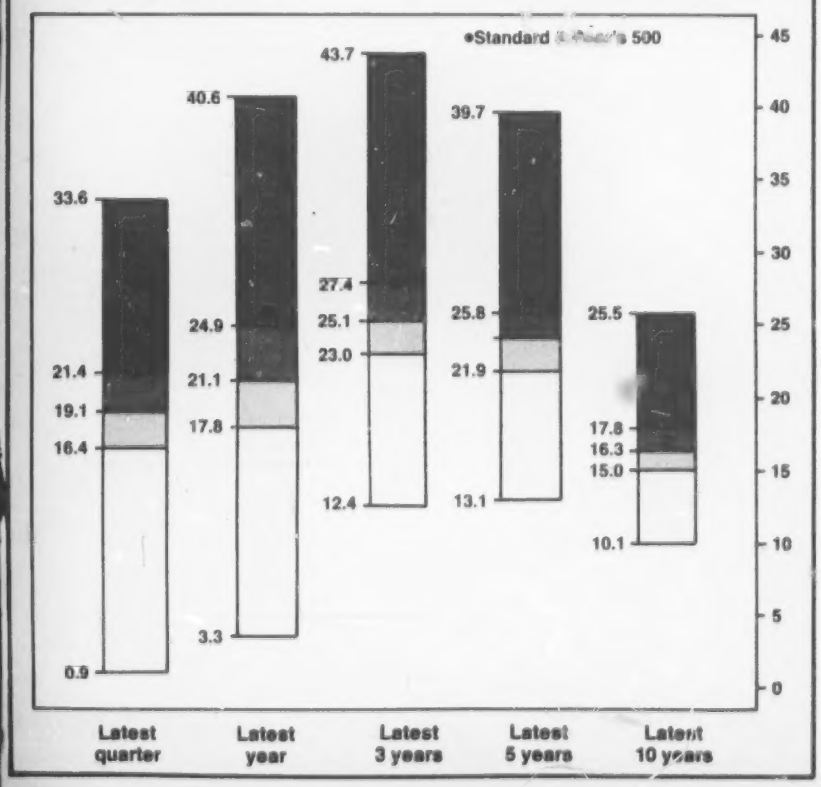
For the quarter, First Variable was followed by RCB Trust Co.,

*Continued on page 24*

**Pooled equity funds of banks and insurance companies.**

**All periods ended March 31, 1987, and all figures, except latest quarter, are annualized total returns.**

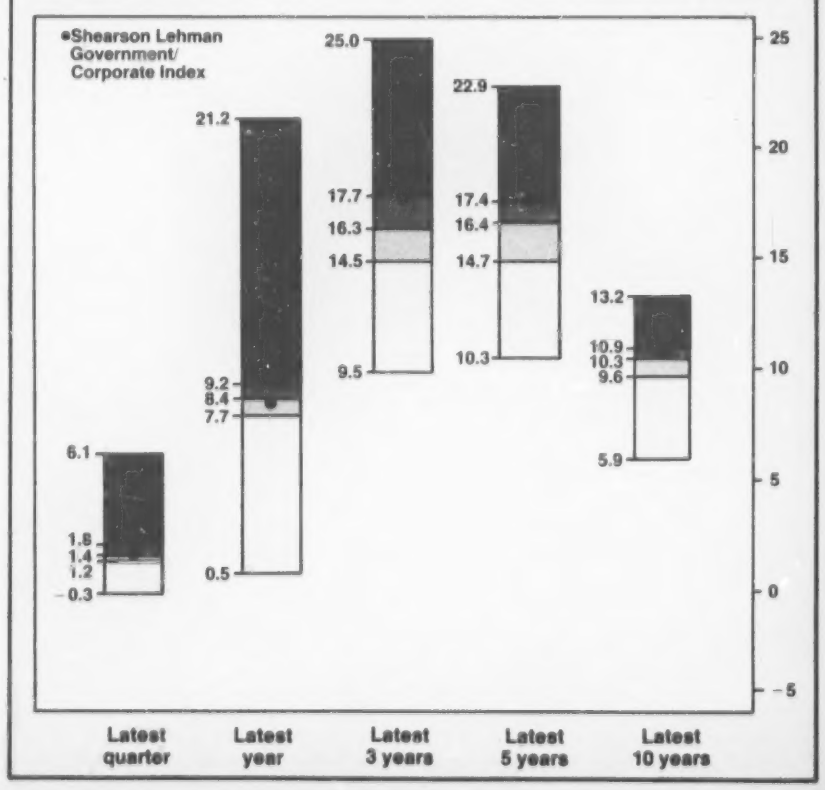
**PIPER report compiled by Rogers, Casey & Barksdale Inc.**




**Pooled fixed-income funds of banks and insurance companies.**

**All periods ended March 31, 1987, and all figures, except latest quarter, are annualized total returns.**

**PIPER report compiled by Rogers, Casey & Barksdale Inc.**



## Top quartile commingled fixed-income funds

### 3-month returns

| | % |
|---|---|
| First Variable Life, Ark. | 6.1 |
| RCB Trust Co. (Spec. Fi.), Conn. | 5.1 |
| Summit Trust Co., N.J. | 4.5 |
| Beverly Bank, Ill. | 4.0 |
| Colonial American Natl. (Inc.), Va. | 3.8 |
| Sentry Life (Acct. D), Wis. | 3.7 |
| Mutual of New York (Priv. place) | 3.4 |
| Delaware Trust Co. (EB Inc.), Del. | 3.3 |
| First Alabama, Mobile | 3.2 |
| First Interstate of Calif. | 3.2 |
| HT Investors, R.I. | 3.0 |
| Citicorp, N.Y. | 3.0 |
| First Wis. Natl., Madison | 3.0 |
| Bank of America, Calif. | 2.9 |
| Northern Central, Pa. | 2.9 |
| Trust Svcs of America, Calif. | 2.8 |
| Central Fidelity (EB Mgd.), Va. | 2.7 |
| Chase Manhattan (A), N.Y. | 2.7 |
| Wheeling Dollar Bank, W. Va. | 2.7 |
| New England Mutual, Mass. | 2.6 |
| Harris Trust, Ill. | 2.6 |
| Pacific Mutual, Calif. | 2.6 |
| Morgan Guaranty, N.Y. | 2.6 |
| BancTexas Dallas | 2.6 |
| United Mercantile (A), Calif. | 2.5 |
| Colorado National (Pooled) | 2.4 |
| First Interstate of Arizona | 2.4 |
| First of Neenah (Mtg.), Wis. | 2.4 |
| Principal Mutual Life, Iowa | 2.4 |
| First of Chicago, Ill. | 2.4 |
| United of Denver, Colo. | 2.3 |
| First Kentucky Trust (Ret. tr.) | 2.2 |
| IAA Trust Co. (Fund B), Ill. | 2.2 |
| Travelers (Acct. D), Conn. | 2.1 |
| Hawaiian Trust (Def.) | 2.1 |
| Lincoln Natl. Pens (Inc. Corp.), Ind. | 2.1 |
| Norstar Trust, N.Y. | 2.1 |
| Mercantile Safe, Md. | 2.1 |
| Mid-State Bancorp, Pa. | 2.0 |
| First Fidelity (Inter.), N.J. | 2.0 |
| Chase Manhattan (Sec. Mtg.), N.Y. | 2.0 |
| Massachusetts Mutual | 2.0 |
| Bank One, Ind. | 1.9 |
| Midlantic National, N.J. | 1.9 |
| Norwest Bank, Minn. | 1.9 |
| National Bank of Commerce, Neb. | 1.9 |
| Seafirst Bank, Wash. | 1.9 |
| Trustmark National, Miss. | 1.9 |
| Mutual of New York (Public) | 1.9 |
| Third National Nashville, Tenn. | 1.9 |
| First of Toledo, Ohio | 1.9 |
| General American (Acct. 9), Mo. | 1.8 |
| Signet Bank/Maryland (Short term) | 1.8 |
| First of Neenah (Long term), Wis. | 1.8 |
| Equitable Bank (Comm.), Md. | 1.8 |
| Maryland National | 1.8 |
| First City Natl., Houston | 1.8 |
| Minnesota Mutual (Acct. E) | 1.8 |
| TransAmerica Life (Acct. T-2) | 1.8 |
| First of Omaha (Fund C), Neb. | 1.8 |
| Chase Manhattan (Short-inter.) | 1.8 |
| **Shearson Lehman G/C Index** | **1.5** |

### 1-year returns

| | % |
|---|---|
| Delaware Trust (EB), Del. | 21.2 |
| Security Pacific, Calif. | 15.3 |
| First Variable Life, Ark. | 14.4 |
| TransAmerica Life (Acct. T-2) | 14.3 |
| Beverly Bank, Ill. | 12.8 |
| Trust Svcs of America, Calif. | 12.6 |
| Connecticut Natl. Bank (EB) | 12.4 |
| Summit Trust Co., N.J. | 12.3 |
| IAA Trust (Fund B), Ill. | 12.0 |
| First of Chicago | 11.7 |
| Morgan Guaranty, N.Y. | 11.6 |
| First Interstate of Calif. | 11.4 |
| Norstar Trust Co., N.Y. | 11.4 |
| First Wis. Natl., Madison | 11.3 |
| New England Mutual, Mass. | 11.2 |
| Colonial American Natl., Va. | 11.1 |
| Mutual of New York (Priv. pl.) | 11.1 |
| Mid-State Bancorp, Pa. | 11.0 |
| United of Denver, Colo. | 11.0 |
| Central Fidelity (EB), Va. | 10.8 |
| First Interstate of Denver | 10.8 |
| Sun Bank, Fla. | 10.5 |
| Associated Manitowoc (High) | 10.4 |
| First Interstate of Ariz. | 10.4 |
| Norwest Bank, Minn. | 10.3 |
| HT Investors, R.I. | 10.2 |
| Mercantile Safe, Md. | 10.2 |
| Principal Mutual Life, Iowa | 10.1 |
| First Kentucky Trust (Ret. tr.) | 10.1 |
| First of Chicago ($ fixed), Ill. | 10.1 |
| Pacific Mutual, Calif. | 10.1 |
| Sentry Life, (Acct. D), Wis. | 10.1 |
| E.F. Hutton Trust (Govt. B), Del. | 10.0 |
| Midlantic National, N.J. | 10.0 |
| Chase Manhattan (A), N.Y. | 10.0 |
| Colorado Natl. Bank (Pooled) | 9.9 |
| Wachovia Bank, N.C. | 9.9 |
| Connecticut National (Inter.) | 9.8 |
| Northern Central, Pa. | 9.8 |
| First of Omaha (C), Neb. | 9.7 |
| E.F. Hutton Trust (2), Del. | 9.7 |
| Seafirst Bank, Wash. | 9.7 |
| Mercantile Safe (Inter.), Md. | 9.7 |
| Bank of America, Calif. | 9.6 |
| American Security, D.C. | 9.6 |
| Toledo Trust, Ohio | 9.6 |
| Mutual of New York (Pub. bond) | 9.6 |
| First Tennessee Memphis | 9.6 |
| Signet Bank/Maryland (Short term) | 9.5 |
| Chemical Bank (Com. 1), N.Y. | 9.5 |
| Mercantile National, Ind. | 9.5 |
| Philadelphia National, Pa. | 9.5 |
| First of Neenah (Mtg.), Wis. | 9.4 |
| Hawaiian Trust (Defensive) | 9.4 |
| Lincoln Natl. Pens (Corp.), Ind. | 9.4 |
| Harris Trust, Ill. | 9.3 |
| First City Natl., Houston | 9.3 |
| First of Neenah (Long term), Wis. | 9.2 |
| Manufacturers Detroit, Mich. | 9.2 |
| Trustmark Natl, Miss. | 9.2 |
| AmeriTrust, Ohio | 9.2 |
| Society National, Ohio | 9.2 |
| Security National, W. Va. | 9.2 |
| Travelers (Acct. P), Conn. | 9.2 |
| **Shearson Lehman G/C Index** | **8.1** |

### 3-year returns

| | % |
|---|---|
| United of Denver, Colo. | 25.0 |
| Centerre Trust, Mo. | 24.5 |
| First Interstate of Denver | 23.7 |
| Delaware Trust (EB), Del. | 23.2 |
| Travelers (Acct. P), Conn. | 21.7 |
| Connecticut Natl. Bank (EB) | 21.4 |
| LaSalle National (Long term), Ill. | 21.4 |
| Equitable Life (No. 5), N.Y. | 21.3 |
| TransAmerica Life (Acct. T-2) | 20.9 |
| Manufacturers Life (B), Ont. | 20.8 |
| IAA Trust (B), Ill. | 20.7 |
| Trust Svcs of America, Calif. | 20.2 |
| Hawaiian Trust | 20.0 |
| Beverly Bank, Ill. | 20.0 |
| Republic Natl. Dallas | 19.9 |
| First Interstate of Ariz. | 19.8 |
| American Security, D.C. | 19.5 |
| Principal Mutual Life, Iowa | 19.5 |
| First Trust Corp., Colo. | 19.4 |
| Citicorp, N.Y. | 19.3 |
| John Hancock, Mass. | 19.3 |
| AmSouth, Ala. | 19.3 |
| Colorado National Bank (Pooled) | 19.1 |
| Natl. Bank of Commerce, Neb. | 19.1 |
| First Wis. Natl., Madison | 19.0 |
| First of Chicago, Ill. | 19.0 |
| Society National, Ohio | 18.9 |
| First Kentucky Trust (Ret. tr.) | 18.9 |
| Colonial American Natl. (Inc.) | 18.8 |
| CIGNA Corp. (Act. Man.), Conn. | 18.7 |
| Continental Illinois (Comm.) | 18.7 |
| Metropolitan Life (SA No. 41) | 18.7 |
| Connecticut Natl. Bank (Inter.) | 18.6 |
| Harris Trust, Ill. | 18.6 |
| General American (Acct. 8), Mo. | 18.5 |
| First of Omaha (C), Neb. | 18.4 |
| First Interstate of Calif. | 18.4 |
| First Variable Life, Ark. | 18.4 |
| First City Natl., Houston | 18.4 |
| Northern Trust, Ill. | 18.4 |
| Chemical Bank (Comm.), N.Y. | 18.4 |
| Key Trust Co., N.Y. | 18.4 |
| Morgan Guaranty, N.Y. | 18.3 |
| Wachovia Bank, N.C. | 18.2 |
| Bessemer Trust, N.Y. | 18.1 |
| E.F. Hutton Trust (B), Del. | 18.1 |
| Pacific Mutual, Calif. | 18.1 |
| Seafirst Bank, Wash. | 18.1 |
| Mellon Bank (EB), Pa. | 18.0 |
| Central Fidelity (EB), Va. | 18.0 |
| Manufacturers Hanover (Gr. Tr.) | 18.0 |
| First of Chicago ($ fixed), Ill. | 18.0 |
| Liberty National, Ky. | 18.0 |
| First Jersey National, N.J. | 17.9 |
| Manufacturers Detroit, Mich. | 17.8 |
| Lincoln Natl. Pens (Corp.), Ind. | 17.8 |
| American National (EB), Minn. | 17.7 |
| Wells Fargo (Index), Calif. | 17.7 |
| Fidelity Bank, (Comm.), Pa. | 17.7 |
| **Shearson Lehman G/C Index** | **17.6** |

### 5-year returns

| | % |
|---|---|
| United of Denver | 22.9 |
| Centerre Trust, Mo. | 21.8 |
| Delaware Trust (EB) | 21.7 |
| First Interstate of Denver | 21.5 |
| First Variable Life, Ark. | 20.7 |
| Trust Svcs of America, Calif. | 20.7 |
| First Wis. Natl., Madison | 20.2 |
| Connecticut Natl. Bank (EB) | 20.0 |
| IAA Trust Co. (B), Ill. | 20.0 |
| First Kentucky Trust (Ret. tr.) | 19.7 |
| AmSouth, Ala. | 19.6 |
| CIGNA Corp. (Act. mgd.), Conn. | 19.6 |
| American Security, D.C. | 19.5 |
| Colorado Natl. Bank (Pooled) | 19.4 |
| Citicorp, N.Y. | 19.3 |
| Society National, Ohio | 19.3 |
| Beverly Bank, Ill. | 19.3 |
| John Hancock, Mass. | 19.2 |

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| | |
|---|---|
| Pacific Mutual, Calif. | 19.1 |
| First Interstate of Ariz. | 19.1 |
| Colonial American Natl. (Inc.), Va. | 18.8 |
| Mutual of New York (Priv. place) | 18.8 |
| Equitable Life (No. 5), N.Y. | 18.8 |
| First of Chicago, Ill. | 18.7 |
| Central Fidelity (EB), Va. | 18.7 |
| First of Chicago ($ fixed) | 18.7 |
| Travelers (Acct. P), Conn. | 18.5 |
| Wachovia Bank, N.C. | 18.5 |
| Key Trust Co., N.Y. | 18.5 |
| Natl. Bank of Commerce, Neb. | 18.4 |
| First of Omaha (C), Neb. | 18.4 |
| Mutual of New York (Public) | 18.4 |
| Morgan Guaranty, N.Y. | 18.4 |
| First Interstate of Calif. | 18.3 |
| Sovran Bank (Inst. Bond), Va. | 18.1 |
| Republic Natl., Dallas | 18.1 |
| First Trust Corp., Colo. | 18.0 |
| CIGNA Corp. (Inter.), Conn. | 18.0 |
| Liberty Natl., Ky. | 18.0 |
| Hawaiian Trust | 17.9 |
| Marine Midland, N.Y. | 17.9 |
| State Street Bank, Mass. | 17.7 |
| Philadelphia National, Pa. | 17.7 |
| Mellon Bank (EB), Pa. | 17.7 |
| General American (Acct. 9), Mo. | 17.6 |
| **Shearson Lehman G/C Index** | **17.5** |
| Commerce Union, Tenn. | 17.5 |
| Manufacturers Detroit, Mich. | 17.4 |
| Citizens Comm. & Sav. (Inter.) | 17.4 |
| Travelers (Acct. D), Conn. | 17.4 |
| Harris Trust, Ill. | 17.4 |
| Toledo Trust, Ohio | 17.4 |
| Northern Trust, Ill. | 17.4 |

### 10-year returns

| | % |
|---|---|
| United of Denver | 13.2 |
| Sovran Bank (Inst.), Va. | 12.9 |
| Centerre Trust, Mo. | 12.9 |
| Beverly Bank, Ill. | 12.8 |
| Fidelity Bank (Comm.), Pa. | 12.6 |
| Pacific Mutual, Calif. | 12.5 |
| American Security, D.C. | 12.4 |
| Texas Commerce (Act. mgd.) | 12.3 |
| First Interstate of Denver | 12.3 |
| Seafirst Bank, Wash. | 12.3 |
| Hibernia National, La. | 12.2 |
| First Jersey National, N.J. | 12.2 |
| First Interstate of Calif. | 12.1 |
| First Wis. Natl., Madison | 12.1 |
| First Kentucky Trust (Ret. tr.) | 11.9 |
| Manufacturers Hanover (Gr. tr.) | 11.9 |
| Morgan Guaranty, N.Y. | 11.8 |
| Central Fidelity (EB), Va. | 11.7 |
| First Interstate of Ariz. | 11.7 |
| Boatmen's National, Mo. | 11.6 |
| Manufacturers Detroit, Mich. | 11.5 |
| Bank of New England, Mass. | 11.5 |
| Connecticut Natl. Bank (EB) | 11.4 |
| American National Bank, Tenn. | 11.4 |
| Merchants National, Pa. | 11.4 |
| CIGNA Corp. (Act. mgd.), Conn. | 11.3 |
| IAA Trust (Fund B), Ill. | 11.3 |
| Mercantile Bank (Coll.), Mo. | 11.3 |
| Citicorp, N.Y. | 11.3 |
| US Trust, N.Y. | 11.3 |
| John Hancock, Mass. | 11.2 |
| Colonial American Natl., (Inc.) | 11.1 |
| Toledo Trust, Ohio | 11.1 |
| AmeriTrust (Reserve), Ohio | 11.0 |
| First Bank Milwaukee | 11.0 |
| Cullen Bank (EB), Texas | 11.0 |
| Commerce Union, Tenn. | 11.0 |
| Key Trust Co., N.Y. | 10.9 |
| American Natl. (EB), Minn. | 10.9 |
| Mellon Bank (EB), Pa. | 10.9 |
| First of Maryland | 10.9 |
| Indiana National Bank | 10.9 |
| Trust Svcs of America, Calif. | 10.9 |
| Oregon Bank | 10.9 |
| Wachovia Bank, N.C. | 10.9 |
| Jefferson Trust (Ct. Eb.), Ill. | 10.9 |
| First Fidelity (Inter.), N.J. | 10.9 |
| Bessemer Trust, N.Y. | 10.9 |
| **Shearson Lehman G/C Index** | **10.7** |

### Top quartile commingled equity funds
### 3-month returns

| | % |
|---|---|
| Security Pacific, Calif. (E) | 33.6 |
| California First Bank | 32.5 |
| Citizens Chillicothe (Emp B), Mo. | 31.1 |
| New England Mutual (Growth) | 30.4 |
| E.F. Hutton Trust (No. 1), Del. | 28.9 |
| Texas Commerce (Div. com stk.) | 28.6 |
| First of Toledo, Ohio | 27.5 |
| Oregon Bank | 26.9 |
| Sun Bank, Fla. | 26.9 |
| United of Denver | 26.8 |
| Philadelphia Natl., Pa. | 26.7 |
| MTrust (Growth), Texas | 26.3 |
| Lincoln Natl. Pens. (Select) | 25.3 |
| Valley Natl. (I), Ariz. | 25.0 |
| Summit Trust Co., N.J. | 24.8 |
| Beverly Bank, Ill. | 24.7 |
| Prudential (Vca 9), N.J. | 24.3 |

### Top fixed funds by size
### 1-year returns
#### Over $100 million

| | % |
|---|---|
| TransAmerica Life (Acct. T-2) | 14.3 |
| First of Chicago | 11.7 |
| Morgan Guaranty, N.Y. | 11.6 |
| Principal Mutual Life, Iowa | 10.1 |
| First of Chicago ($ fixed.) | 10.1 |
| Pacific Mutual, Calif. | 10.1 |
| Wachovia Bank, N.C. | 9.9 |
| American Security, D.C. | 9.6 |
| Lincoln Natl. Pens. (Corp.) | 9.4 |
| Harris Trust, Ill. | 9.3 |

#### $50 million to $100 million

| | % |
|---|---|
| First Interstate of Denver | 10.8 |
| Norwest Bank, Minn. | 10.3 |
| First Kentucky Trust (Ret. tr.) | 10.1 |
| Chase Manhattan (A) | 10.0 |
| Mercantile Safe (Inter.) | 9.7 |
| Mutual of New York (Pub.) | 9.6 |
| First Tennessee Memphis | 9.6 |
| Hawaiian Trust (Def.) | 9.4 |
| Manufacturers Detroit, Mich. | 9.2 |
| Trustmark Natl., Miss. | 9.2 |

#### $10 million to $50 million

| | % |
|---|---|
| Delaware Trust Co. (EB) | 21.2 |
| Security Pacific, Calif. | 15.3 |
| Trust Svcs of America | 12.6 |
| Summit Trust Co., N.J. | 12.3 |
| IAA Trust Co. (B), Ill. | 12.0 |
| First Interstate of Calif. | 11.4 |
| Norstar Trust Co., N.Y. | 11.4 |
| First Wis. Natl., Madison | 11.3 |
| New England Mutual, Mass. | 11.2 |
| Mutual of New York (Priv.) | 11.1 |

#### Under $10 million

| | % |
|---|---|
| First Variable Life, Ark. | 14.4 |
| Beverly Bank, Ill. | 12.8 |
| Connecticut Natl. Bank (EB). | 12.4 |
| Colonial American Natl. (Inc.) | 11.1 |
| Central Fidelity (EB), Va. | 10.8 |
| Associated Manitowoc (High) | 10.4 |
| First Interstate of Ariz. | 10.4 |
| Sentry Life (D), Wis. | 10.1 |
| E.F. Hutton Trust (B), Del. | 10.0 |
| E.F. Hutton Trust (2), Del. | 9.7 |

### 10-year returns
#### Over $100 million

| | % |
|---|---|
| Sovran Bank (Inst.), Va. | 12.9 |
| Centerre Trust, Mo. | 12.9 |
| Pacific Mutual, Calif. | 12.5 |
| American Security, D.C. | 12.4 |
| Texas Commerce (Act. mgd.) | 12.3 |
| Manufacturers Hanover | 11.9 |
| Morgan Guaranty, N.Y. | 11.8 |
| Boatmen's National, Mo. | 11.6 |
| Bank of New England, Mass. | 11.5 |
| CIGNA Corp. (Act. mgd.) | 11.3 |
| Mercantile Bank (Coll.) | 11.3 |
| Citicorp, N.Y. | 11.3 |

#### $50 million to $100 million

| | % |
|---|---|
| Fidelity Bank, (Com.), Pa. | 12.6 |
| First Interstate of Denver | 12.3 |
| First Jersey National | 12.2 |
| First Kentucky Trust (Ret. tr.) | 11.9 |
| Manufacturers Detroit | 11.5 |
| AmeriTrust (Res.), Ohio | 11.0 |
| Mellon Bank (EB), Pa. | 10.9 |
| First Fidelity Bank (Inter.) | 10.9 |
| Massachusetts Mutual | 10.7 |
| Provident National, Pa. | 10.4 |
| Northern Trust, Ill. | 10.4 |
| Bank of New York | 10.4 |

#### $10 million to $50 million

| | % |
|---|---|
| United of Denver | 13.2 |
| Seafirst Bank, Wash. | 12.3 |
| First Interstate of Calif. | 12.1 |
| First Wis. Natl., Madison | 12.1 |
| American Natl. Bank, Tenn. | 11.4 |
| Merchants Natl., Pa. | 11.4 |
| IAA Trust Co. (8), Ill. | 11.3 |
| Toledo Trust, Ohio | 11.1 |
| First Bank Milwaukee | 11.0 |
| Cullen Bank (EB), Texas | 11.0 |
| Commerce Union, Tenn. | 11.0 |

#### Under $10 million

| | % |
|---|---|
| Beverly Bank, Ill. | 12.8 |
| Central Fidelity (EB), Va. | 11.7 |
| First Interstate of Ariz. | 11.7 |
| Connecticut Natl. (EB) | 11.4 |
| Colonial American Natl. (Inc.) | 11.1 |
| Oregon Bank | 10.9 |
| American Natl., Ind. | 10.6 |
| First of Neenah (Inter.) | 10.6 |
| Associated Manitowoc (High) | 10.6 |
| First Natl. Lincoln, Neb. | 10.4 |


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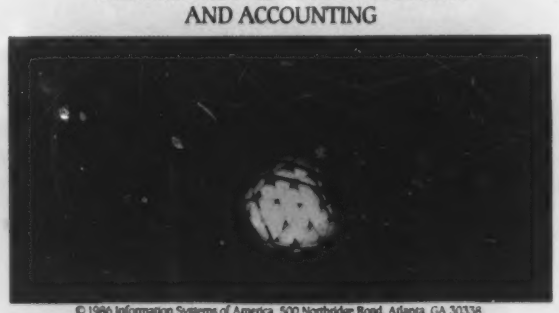

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| | |
|---|---|
| Norwest Bank, Minn. | 24.2 |
| First Pennsylvania Bank | 24.2 |
| Puget Sound Natl., Wash. | 24.1 |
| First City Natl., Houston | 24.1 |
| Guardian Insurance (Acct. 1), N.Y. | 23.9 |
| IDS Trust (A), Minn. | 23.9 |
| First Alabama, Mobile | 23.8 |
| Norstar Trust, N.Y. | 23.6 |
| Equitable Life (No. 4), N.Y. | 23.5 |
| Irving Trust, N.Y. | 23.5 |
| Wachovia Bank (Mgmt.), N.C. | 23.4 |
| US Trust, N.Y. | 23.3 |
| Morgan Guaranty (Large Co. Fd.) | 23.2 |
| First Kentucky Trust (Ret. tr.) | 23.2 |
| First of America (Con. val.), Mich. | 23.1 |
| Pacific Mutual, Calif. | 23.0 |
| Mutual of America (No. 1), N.Y. | 23.0 |
| Marquette Bank, Minn. | 22.9 |
| Morgan Guaranty, N.Y. | 22.9 |
| Mutual of New York (Growth) | 22.9 |
| First Interstate of Ariz. (EB) | 22.9 |
| National City Cleveland | 22.8 |
| Mutual of America (No. 2), N.Y. | 22.8 |
| Lincoln Natl. Pens. (Growth), Ind. | 22.7 |
| Principal Mutual Life, Iowa | 22.6 |
| Citicorp (Com. stk.), N.Y. | 22.4 |
| Trust Svcs of America, Calif. | 22.4 |
| InterFirst Bank Dallas | 22.3 |
| E.F. Hutton Trust (Fund 6), Del. | 22.2 |
| Commerce Bank, K.C. (Com.) | 22.1 |
| First of America, Mich. | 22.1 |
| First of Cincinnati | 22.1 |
| Bank of the West, Calif. | 22.1 |
| Hibernia National, La. | 22.1 |
| American Security, D.C. | 22.0 |
| United Missouri, Kansas City | 22.0 |
| Manufacturers Life, Ont. | 22.0 |
| Seafirst Bank, Wash. | 22.0 |
| Connecticut Mutual Life (CM) | 22.0 |
| Mercantile Bank (Coll.), Mo. | 21.9 |
| First Interstate of Denver | 21.9 |
| General American (Index), Mo. | 21.7 |
| John Hancock, (1K), Mass. | 21.7 |
| Allied Bank, Texas | 21.6 |
| LaSalle National (Core), Ill. | 21.6 |
| Manufacturers Detroit | 21.5 |
| Mellon Bank (EB), Pa. | 21.4 |
| Indiana National Bank | 21.4 |
| American National Bank, Tenn. | 21.4 |
| Maryland National (Com. stk.) | 21.4 |
| Boatmen's National, Mo. | 21.4 |
| **Standard & Poor's 500** | **21.4** |
| Bank of America (Stk. Ind.), Calif. | 21.4 |
| Merchants National (EB I), Ind. | 21.4 |

International advisers: June 29.

### 1-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 40.6 |
| Security Pacific (E), Calif. | 34.1 |
| Cullen Bank (EB), Texas | 33.5 |
| Morgan Guaranty (Large), N.Y. | 30.0 |
| Puget Sound National, Wash. | 29.9 |
| Bank of the West, Calif. | 29.8 |
| Morgan Guaranty, N.Y. | 29.5 |
| South Carolina National (Stock) | 29.4 |
| IDS Trust Co. (A), Minn. | 29.2 |
| First Alabama Bank (I) | 29.2 |
| E.F. Hutton Trust Co. (No. 1), Del. | 29.1 |
| California First Bank | 29.1 |
| Citizens & Southern, Ga. | 28.8 |
| First City National Houston | 28.7 |
| InterFirst Bank Dallas (Income) | 28.7 |
| Irving Trust, N.Y. | 28.3 |
| Citizens Chillicothe (Emp. B), Mo. | 28.1 |
| CREF | 28.0 |
| Oregon Bank | 27.7 |
| State Street Bank (No. 1), Mass. | 27.7 |
| E.F. Hutton Trust Co. (No. 2), Del. | 27.7 |
| Frost National (Fund A), Texas | 27.5 |
| Society National (Rel. Val.), Ohio | 27.4 |
| Commerce Bank, K.C. (Com.) | 27.4 |
| Lake Shore National, Ill. | 27.3 |
| Republic National Dallas | 27.1 |
| Phoenix Mutual, Conn. | 27.0 |
| Wells Fargo (Tilts & Timing), Calif. | 27.0 |
| Harris Trust (Common stk.), Ill. | 27.0 |
| Bank of Delaware (VIP) | 27.0 |
| Hamilton Bank, Pa. | 26.9 |
| General American (Index), Mo. | 26.8 |
| Mellon Bank (EB stk.), Pa. | 26.8 |
| State Street Bank (Mat. Syn.) | 26.8 |
| First Interstate of Wash. | 26.8 |
| Wachovia Bank, N.C. | 26.6 |
| First of Toledo, Ohio | 26.6 |
| Hawaiian Trust | 26.5 |
| First Interstate of Calif. (Index) | 26.4 |
| National of Georgia | 26.4 |
| Principal Mutual Life, Iowa | 26.3 |
| **Standard & Poor's 500** | **26.2** |
| Citizens Fidelity (Col. inv.), Ky. | 26.2 |
| Security Pacific, Calif. | 26.2 |
| Maryland National (Com. stk.) | 26.2 |
| American Natl. Chicago (S&P) | 26.0 |
| State Street Bank (S&P), Mass. | 25.9 |
| Wells Fargo, (Index), Calif. | 25.9 |
| Bank of America (Stk. ind.), Calif. | 25.9 |
| Seafirst Bank, Wash. | 25.9 |
| Citytrust (E1), Conn. | 25.7 |
| Allied Bank, Texas | 25.6 |
| Lincoln Natl. Pens, (Growth), Ind. | 25.6 |
| Norstar Trust Co., N.Y. | 25.4 |

## Top equity funds by size

### 1-year returns

#### Over $100 million

| | % |
|---|---|
| Sun Bank, Fla. | 40.6 |
| Morgan Guaranty (Large) | 30.0 |
| Morgan Guaranty N.Y. | 29.5 |
| CREF | 28.0 |
| Republic Natl., Dallas | 27.1 |
| Wells Fargo (T&T), Calif. | 27.0 |
| Harris Trust (Comm.), Ill. | 27.0 |
| Mellon Bank (EB), Pa. | 26.8 |
| First Interstate of Calif. | 26.4 |
| Wells Fargo, Calif. | 25.9 |
| Bank of America (Index) | 25.9 |

#### $50 million to $100 million

| | % |
|---|---|
| IDS Trust Co. (A), Minn. | 29.2 |
| First City Natl. Houston | 28.7 |
| Interfirst Bank Dallas (Inc.) | 28.7 |
| Society National (Rel.), Ohio | 27.4 |
| Phoenix Mutual, Conn. | 27.0 |
| Citytrust (E1), Conn. | 25.7 |
| Norstar Trust Co., N.Y. | 25.4 |
| Security Pacific (8), Calif. | 25.4 |
| First Kentucky Trust (Ret. tr.) | 25.1 |
| United Missouri, K.C. | 24.6 |

#### $10 million to $50 million

| | % |
|---|---|
| Security Pacific (E), Calif. | 34.1 |
| Cullen Bank (EB), Texas | 33.5 |
| South Carolina Natl. (Stk.) | 29.4 |
| First Alabama Bank (I) | 29.2 |
| California First Bank | 29.1 |
| Citizens & Southern, Ga. | 28.8 |
| Irving Trust, N.Y. | 28.3 |
| Citizens Chillicothe (B), Mo. | 28.1 |
| E.F. Hutton Trust (2), Del. | 27.7 |
| Frost National (EB Fd. A) | 27.5 |

#### Under $10 million

| | % |
|---|---|
| Puget Sound Natl., Wash. | 29.9 |
| Bank of the West, Calif. | 29.8 |
| E.F. Hutton Trust (1), Del. | 29.1 |
| Oregon Bank | 27.7 |
| Principal Mutual Life, Iowa | 26.3 |
| American Natl. (S&P) | 26.0 |
| Unibanctrust, Ill. | 24.9 |
| Signet Bank/Maryland (D) | 24.3 |
| Dominion Trust (Corp.), Va. | 24.3 |
| Marquette Bank Minn. | 23.2 |

### 10-year returns

#### Over $100 million

| | % |
|---|---|
| Manufacturers Life, Ont. | 25.5 |
| Sun Bank, Fla. | 23.2 |
| American Natl. Chicago | 21.0 |
| First Union Bank, N.C. | 20.9 |
| US Natl. of Oregon (Quali.) | 20.3 |
| Manufacturers Detroit | 20.2 |
| Provident National, Pa. | 19.9 |
| MTrust (Growth), Texas | 19.9 |
| Bessemer Trust, N.Y. | 19.8 |
| Equitable Life (No. 4), N.Y. | 19.7 |
| Philadelphia Natl., Pa. | 19.7 |

#### $50 million to $100 million

| | % |
|---|---|
| New England Mutual (Sep.) | 21.9 |
| First Interstate of Denver | 21.1 |
| Natl. Bank of Commerce | 20.3 |
| Norstar Trust Co., N.Y. | 17.8 |
| Colorado Natl. Bank | 17.7 |
| AmSouth, Ala. | 17.6 |
| Phoenix Mutual, Conn. | 17.4 |
| Citytrust (E1), Conn. | 17.4 |
| First City Natl. Houston | 17.3 |
| Connecticut Mutual Life (CM) | 17.2 |

#### $10 million to $50 million

| | % |
|---|---|
| Guardian Insurance (1), N.Y. | 22.7 |
| Citizens Chillicothe (Emp. B) | 22.5 |
| First Trust Corp., Colo. | 21.0 |
| First Interstate of Okla. | 19.8 |
| US Natl. of Galveston | 19.6 |
| Confederation Life, Ont. | 19.5 |
| Nationwide Life Ins., Ohio | 19.2 |
| First of Omaha (D) | 19.2 |
| Employers Life of Wausau | 19.0 |
| MTrust (Value), Texas | 18.7 |

#### Under $10 million

| | % |
|---|---|
| Principal Mutual Life, Iowa | 19.2 |
| Wheeling Dollar Bank | 18.2 |
| Unibanctrust, Ill. | 17.8 |
| First of Neenah (Stk.), Wis. | 17.4 |
| American Natl. Chicago | 16.9 |
| Puget Sound Natl., Wash. | 16.5 |
| Signet Bank/Maryland (D) | 16.5 |
| Dominion Trust (Corp.), Va. | 16.4 |
| Merchants Natl. (2), Ind. | 16.4 |
| Oregon Bank | 15.6 |


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# HOW GM IS TAKING THE LEAD IN QUALITY

NOT JUST WORLD CLASS—A NEW, SCIENTIFIC STANDARD OF EXCELLENCE.

People were calling the heartland of American industry "The Rust Belt." It was 1980. We said there would be an American industrial renaissance. And we meant it.

GM laid out a four-part strategy. And went to work.

**At the heart of the strategy is the automobile, and at the heart of the automobile is the drivetrain. We were determined to set a new standard of excellence with the automobile in operation.**

And we decided to do it the hard way. Instead of using engineering specifications or a survey method that fit well with our strengths and minimized our weaknesses, we asked you, our customer, what you want and need in an automobile in operation, what we call driveability.

Then we took the desires of the most demanding drivers, the 90th percentile, and called that standard our minimum. We said that every GM car, not just those that cost $25,000 or more, would have to meet the 90th percentile standard.

**World class, which had been sufficient during the early stages of our strategy, was not a tough enough standard anymore.** The GM Uniform Test Standard is a dynamic measure of excellence in engineering and manufacturing on a scale determined by the customer. It is the most rigorous test in the industry.

Across our entire 1987 production, from the Allante to the lowest priced car we sell, 96% of all GM vehicles tested meet the driveability expectation of the most demanding customers—the 90th percentile.

Here are some of the tests: After sitting out all night in low temperatures, the cars are checked for ease of starting and ability to back out of the garage and accelerate when cold. Then we check for idling at stop lights and smooth acceleration to 15, 25, 35, 45 and 55 mph maneuvers.

Every car is checked for performance in hard braking to a stop and then accelerating into traffic. And at the same time, the transmissions are evaluated for shift smoothness, noise, and overall operation.

When that's all done, we do it all over again under hot operating conditions.

**The result: so far in 1987, 96% of all GM cars tested meet or exceed the demanding driver's standard.**

On other aspects of quality—the fit and finish of the parts other than the engine and transmission—GM is also making enormous strides toward setting new standards of excellence.

And our goal is to keep raising the standard until GM cars stand above their competition in every category and every price range.

We've made this leap in quality here in America. In Fort Wayne, Ind., and Linden, N.J. In Michigan and Georgia and California. We are doing it here. With the best people and the best technology in the world.

We had a vision. We believed an American industrial renaissance was possible. And it is!

We are demonstrating to our fellow Americans in industry that timidity is not the answer. Retrenchment is no solution. At GM, we say, "Go for it!" And we have.

**The vision is paying off.**

### Make Your Own Comparison

We invite you to visit any GM dealer to test drive any new GM car. Compare its driveability to your demanding standards. Then compare it to any of the cars built by our competitors.

For example: Take any expensive Japanese car, with air conditioning, automatic transmission, and so on, and compare it to a medium-priced GM car. You're the customer, you decide which car has the best driveability. See for yourself how GM's vision is paying off.

*This advertisement is part of our continuing effort to give customers useful information about their cars and trucks and the company that builds them.*

GM
MARK OF EXCELLENCE

Chevrolet • Pontiac
Oldsmobile • Buick
Cadillac • GMC Truck

Mutual of New York (Income).....25.4
American National (EB), Minn. .....25.4
Security Pacific (Income B), Calif. .25.4
E.F. Hutton Trust Co. (A), Del. .....25.3
Wilmington Trust, Del. .....25.2
Toledo Trust, Ohio.....25.1
First Kentucky Trust (Ret. tr.) .....25.1
Citicorp (Common), N.Y. .....25.0
First National Lincoln, Neb. .....25.0
American National, Tenn. .....25.0
Unibanctrust, Ill.....24.9

### 3-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 43.7 |
| Bank of the West, Calif. | 34.7 |
| First of America, Mich. | 34.3 |
| Puget Sound National, Wash. | 33.8 |
| First Trust Corp., Colo. | 33.3 |
| Manufacturers Detroit | 32.9 |
| E.F. Hutton Trust Co. (A), Del. | 32.6 |
| Guardian Insurance (No. 1), N.Y. | 32.5 |
| State Street Bank (Fund I), Mass. | 32.5 |
| Barnett Banks Trust (EB), Fla. | 32.2 |
| Morgan Guaranty (Lg. Co. Fd.) | 31.7 |
| IDS Trust Co. (A), Minn. | 31.6 |
| E.F. Hutton Trust (No. 1), Del. | 31.5 |
| Mellon Bank (EB stk.), Pa. | 31.2 |
| Republic National Dallas | 31.0 |
| Philadelphia National | 30.6 |
| Frost National (Fund A), Texas | 30.6 |
| New England Mutual (Sep.) | 30.3 |
| Citizens Chillicothe (Emp. B), Mo. | 30.2 |
| Bank of New England (Valuepath) | 30.2 |
| First of Neenah (Stock), Wis. | 30.2 |
| First of America (Con. val.), Mich. | 30.0 |
| First Security Natl. Ky. (Fund D) | 30.0 |
| Cullen Bank (EB), Texas | 30.0 |
| State Natl. Evanston (Stock), Ill. | 29.6 |
| Pioneer Bank, Ill. | 29.6 |
| First of Neenah (Stock), Wis. | 29.6 |
| Commerce Bank St. Louis | 29.4 |
| Continental Bancorp (Com.), Pa. | 29.2 |
| Harris Trust (Com. stk.), Ill. | 29.2 |
| Nationwide Life Ins., Ohio | 29.0 |
| Summit Trust Co., N.J. | 29.0 |
| Signet Trust Co. (EB), Va. | 29.0 |
| Omaha National Bank, Neb. | 28.9 |
| Trust Svcs of America, Calif. | 28.7 |
| Texas Commerce (Div. Com.) | 28.5 |
| Bank of Tokyo (Com. stk), N.Y. | 28.4 |
| John Hancock (1K), Mass. | 28.4 |
| John Hancock (1L), Mass. | 28.3 |
| American Natl. Chicago (Active) | 28.3 |
| Lake Shore National, Ill. | 28.3 |
| Citizens Fidelity (Col. Inv.), Ky. | 28.2 |
| Morgan Guaranty, N.Y. | 28.2 |
| Norwest Bank, Minn. | 28.2 |
| Citizens & Southern, Ga. | 28.1 |
| American National Bank, Tenn. | 28.0 |
| Society National (Value Eq.), Ohio | 28.0 |
| First of Toledo, Ohio | 27.9 |
| Toledo Trust, Ohio | 27.9 |
| Oregon Bank | 27.8 |
| CREF | 27.7 |
| Citytrust (E1), Conn. | 27.6 |
| California First Bank | 27.5 |
| Wells Fargo (Index), Calif. | 27.5 |
| First Kentucky Trust (Ret. tr.) | 27.4 |
| MTrust (Growth), Texas | 27.4 |
| First Fidelity Bank (EB. com.), N.J. | 27.4 |
| American Natl. Chicago (S&P) | 27.4 |
| **Standard & Poor's 500** | **27.4** |
| Pittsburgh Natl. (Grp. QMS) | 27.4 |

### 5-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 39.7 |
| Manufacturers Life, Ont. | 32.2 |
| New England Mutual (Growth) | 31.6 |
| First Union Bank, N.C. | 31.4 |
| Guardian Insurance (No. 1), N.Y. | 31.1 |
| Manufacturers Detroit | 29.8 |
| Republic National Dallas | 29.5 |
| First Interstate of Denver (Value) | 29.1 |
| Morgan Guaranty (Large co.) | 28.9 |
| Cullen Bank (EB), Texas | 28.9 |
| Lake Shore National, Ill. | 28.9 |
| Principal Mutual Life, Iowa | 28.5 |
| Provident National, Pa. | 28.1 |
| MTrust (Value), Texas | 28.0 |
| Connecticut Mutual Life (CM eq.) | 28.0 |
| Marine Midland, N.Y. | 27.9 |
| First Trust Corp., Colo. | 27.9 |
| Texas Commerce (Div. com.) | 27.8 |
| First Interstate of Okla. | 27.8 |
| First of America, Mich. | 27.5 |
| Nationwide Life Ins., Ohio | 27.4 |
| CREF | 27.4 |
| Mutual Benefit, N.J. | 27.4 |
| John Hancock (1L), Mass. | 27.3 |
| First Alabama, Mobile | 27.3 |
| Mellon Bank (EB stock), Pa. | 27.0 |
| First of Omaha (D), Neb. | 26.9 |
| Harris Trust (Common), Ill. | 26.7 |
| Citytrust (E1), Conn. | 26.7 |
| Colorado National Bank | 26.6 |
| First Fidelity (EB), N.J. | 26.6 |
| John Hancock (1K), Mass. | 26.6 |
| **Standard & Poor's 500** | **26.6** |
| Dauphin Deposit (Corp. EB), Pa. | 26.6 |
| Philadelphia National | 26.6 |
| Signet Trust Co. (EB), Va. | 26.5 |
| Wells Fargo (Index), Calif. | 26.5 |
| Irving Trust, N.Y. | 26.5 |
| Continental Bancorp (Com.), Pa. | 26.5 |
| American Natl. Chicago (S&P) | 26.5 |
| Bank of the West, Calif. | 26.4 |
| Morgan Guaranty, N.Y. | 26.4 |
| MTrust (Growth), Texas | 26.4 |
| State Street Bank (S&P), Mass. | 26.3 |
| First Variable Life, Ark. | 26.3 |
| First of Neenah (Stock), Wis. | 26.3 |
| US Natl. of Oregon (Qualivest) | 26.2 |
| American Natl. (Active), Chicago | 26.2 |
| Valley National (Eq. I), Ariz. | 26.2 |
| Oregon Bank | 26.1 |
| First Security Natl. (Fund D), Ky. | 26.1 |
| Massachusetts Mutual | 26.0 |
| State Street Bank, Mass. | 25.9 |
| Prudential (PRIFORM), N.J. | 25.8 |
| Society National (Relative), Ohio | 25.8 |
| First Bank Milwaukee (Col.) | 25.8 |
| Citicorp (Com.), N.Y. | 25.8 |

### 10-year returns

| | % |
|---|---|
| Manufacturers Life, Ont. | 25.5 |
| Sun Bank, Fla. | 23.2 |
| Guardian Insurance (Acct. 1), N.Y. | 22.7 |
| Citizens Chillicothe (Emp. B), Mo. | 22.5 |
| New England Mutual (Growth) | 21.9 |
| First Interstate of Denver | 21.1 |
| First Trust Corp., Colo. | 21.0 |
| American Natl. Chicago (Active) | 21.0 |
| First Union Bank, N.C. | 20.9 |
| US Natl. of Oregon (Qualivest) | 20.3 |
| National Bank of Commerce, Neb. | 20.3 |
| Manufacturers Detroit | 20.2 |
| Provident National, Pa. | 19.9 |
| MTrust (Growth), Texas | 19.9 |
| Bessemer Trust, N.Y. | 19.8 |
| First Interstate of Okla. | 19.8 |
| Equitable Life (No. 4), N.Y. | 19.7 |
| Philadelphia Natl., Pa. | 19.7 |
| US Natl. of Galveston, Texas | 19.6 |
| Continental Bancorp (Comm.), Pa. | 19.6 |
| Confederation Life, Ont. | 19.5 |
| Texas Commerce (Div. Com. stk) | 19.5 |
| Nationwide Life Ins., Ohio | 19.2 |
| Principal Mutual Life, Iowa | 19.2 |
| First of Omaha (Fund D), Neb. | 19.2 |
| Employers Life of Wausau (1) | 19.0 |
| National City Cleveland | 18.9 |
| MTrust (Value), Texas | 18.7 |
| First of America, Mich. | 18.7 |
| Fifth Third Bank (EB), Ohio | 18.7 |
| Lake Shore Natl., Ill. | 18.6 |
| Aetna Life & Casualty, Conn. | 18.6 |
| Massachusetts Mutual | 18.5 |
| First Interstate of Wash. | 18.3 |
| State Natl., Evanston (Stock) | 18.3 |
| Republic Natl. Dallas | 18.3 |
| Signet Trust Co. (EB), Va. | 18.2 |
| Wheeling Dollar Bank, W. Va. | 18.2 |
| Omaha National Bank, Neb. | 18.1 |
| United of Denver | 18.1 |
| First Fidelity Bank (EB), N.J. | 18.0 |
| C&S Trust Florida (EB) | 18.0 |
| Equitable Life (Q-vest No. 18) | 18.0 |
| Penn Mutual Life (Acct. A), Pa. | 17.9 |
| First National Lincoln, Neb. | 17.9 |
| Citicorp (Com. stk), N.Y. | 17.8 |
| Unibanctrust, Ill. | 17.8 |
| Bank of Tokyo (Com. stk), N.Y. | 17.8 |
| Norstar Trust Co., N.Y. | 17.8 |
| **Standard & Poor's 500** | **17.0** |

# UAM buying its 15th firm

BOSTON — United Asset Management Corp. has agreed to acquire Rice, Hall, James & Associates, San Diego, from its principals.

Rice, Hall, James will be the 15th investment firm in the UAM group, said Archer Des Cognets, UAM senior vice president. UAM is a publicly traded holding company for investment management firms.

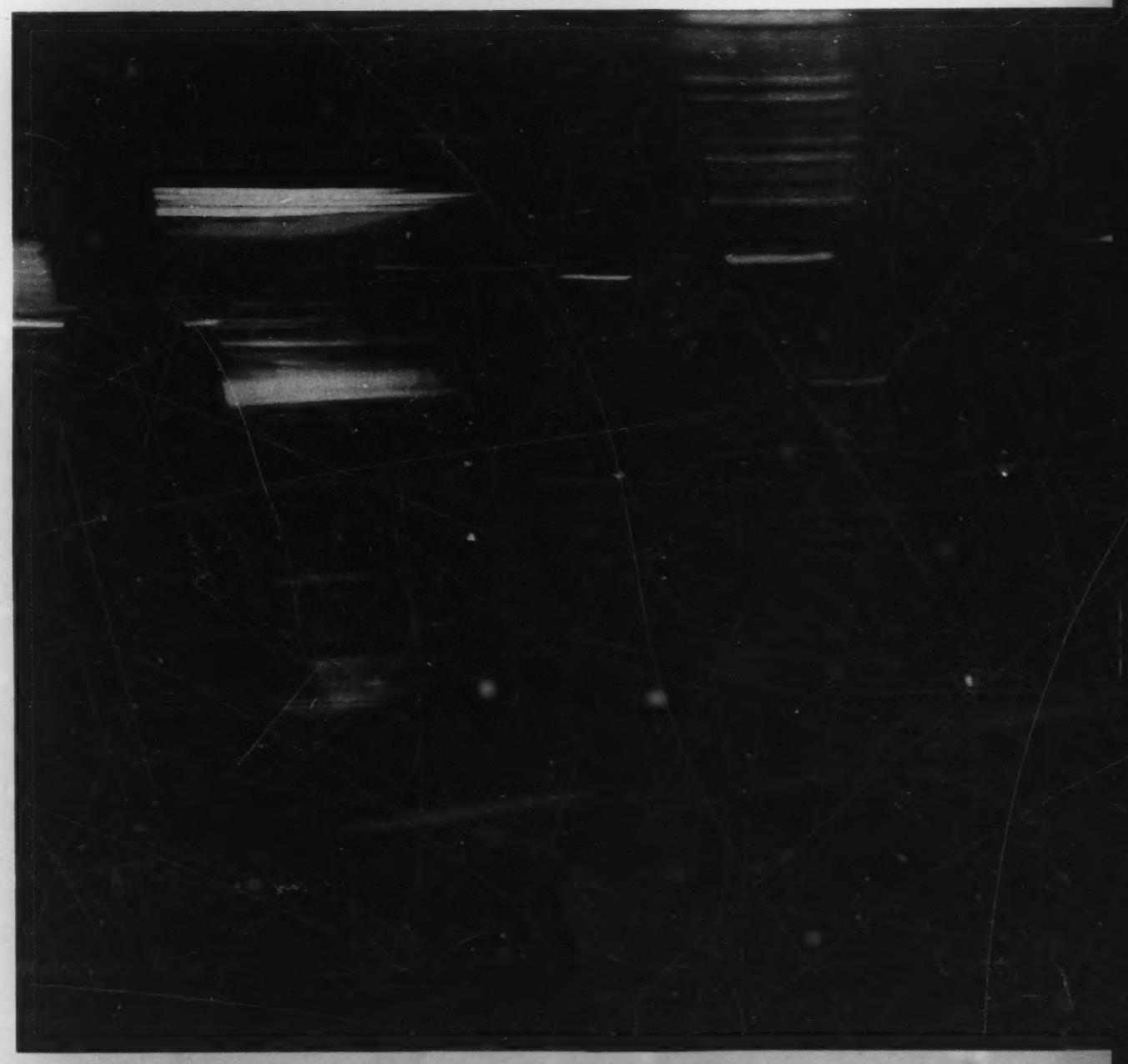
Rice, Hall, James has about $680 million under management, of which about 55% is tax-exempt, Mr. Des Cognets said. It manages mostly balanced accounts; the total asset mix is roughly two-thirds equities and one-third bonds.

UAM was attracted to Rice, Hall, James because of the quality and stability of its personnel, Mr. Des Cognets said.

Rice, Hall, James is headed by Louis E. Rice, president, and Samuel R. Trozzo, executive vice president.

The sale likely will close in late May, Mr. Des Cognets said.

BellSouth



# Technology . . .

*Continued from page 15*

in cyclical, industrial stocks, including **Stone Container Corp.** and **Himont Inc.**

The fund's performance has improved greatly in recent years. Its compound annual return for the three years ended March 31 was 25.8%, placing it in the fifth decile of PIPER funds, and 25.2% for the five years, placing it in the fourth decile. Because it started in 1981, it was too new for the 10-year period.

Mr. Duncan said the fund's investment philosophy changed in late 1984. Before that, it included some emerging growth stocks as well as large-capitalization ones; now, while still growth-oriented, its holdings are all fairly large, well-known companies.

A focus on earnings growth also aided Citizens Bank of Chillicothe, Mo. Its $15.5 million pooled equity fund was third among all funds for the quarter, returning 31.1%, and fourth for the 10-year period, with a compound annual return of 22.5%.

It placed slightly lower, but still in the top 10% for the year, with 28.1%, and for the three-year period, with an annualized 30.2%. It was in the fifth decile in the five-year period, with a compound annual return of 24.1%.

Ed Douglas, president of Citizens Bank, attributed the five-year performance to a period in the early 1980s when the market moved in anticipation of earnings, not with them, and the fund's holdings tended to lag.

Mr. Douglas and the other investment committee members — Bill Welch, chairman of the bank, and Edgerton Welch, chairman emeritus — pick stocks from among those receiving Value Line's highest rating. Value Line ranks stocks on a scale of 1 to 5, with 1 being the highest.

The rankings are based on earnings momentum, price momentum, price relative to earnings and past pricing relative to other companies.

The investment committee supplements Value Line rankings with other outside research and its own analysis and picks 25 to 30 issues, Mr. Douglas said. Committee members like to see a growth rate above the price-earnings ratio and a high degree of dependability for growth, he said.

Stocks sometimes are sold when they drop to a Value Line 2 rating and always when they drop to a 3.

To protect against a major market decline, Citizens of Chillicothe recently overlaid the fund with a dynamic hedging strategy run by BEA Associates Inc., New York, Mr. Douglas said. Dynamic hedging uses futures transactions to assure a minimum return. The program run by BEA for the bank assures the fund will lose no more than 5% over three years.

One stock that has helped the fund reach its high level is its biggest holding, **Liz Claiborne Inc.**, which it bought in late 1984 at 12⅝ and now is trading in the 60s, he said. Other good performers include drug companies, such as **Marion Laboratories Inc.** and **Merck & Co. Inc.** and, in technology, **Digital Equipment**.

One of the top funds for the 10- and five-year periods was near the bottom for the three- and one-year periods but rebounded in the latest quarter. It, too, held technology stocks.

The fund, Toronto-based Manufacturers Life Insurance Co.'s U.S. equity fund, had a 25.5% compound annual return in the 10-year period, placing first. It was second for the five years, returning 32.2%.

The fund's 19.8% return in the three-year period and 10% return for the year put it in the bottom decile in both periods. In the most recent quarter, it returned 22%, placing it in the third decile.

"The things that hurt us in the previous two years are what helped us in the first quarter this year," said Veronica Onyskiw, assistant vice president.

The fund, now at $130 million, is heavily growth-oriented. Value is a consideration, too, but growth comes first, Ms. Onyskiw said.

In addition to its several technology holdings, including **Digital Equipment, Cray Research Inc., Sun Microsystems Inc.**, and **Digital Equipment,** it holds oils, such as **Atlantic Richfield Co.** and **Mobil Corp.**; chemicals, such as **Dow Chemical Co.** and **GAF Corp.**; papers, including **Bowater Inc.** and **Stone Container**; and drugs, such as **Marion Laboratories** and **Merck**.

A leader in almost every period of the survey was the separate capital growth fund offered by The New England (formerly New England Mutual Life Insurance Co.), Boston. The fund was fifth for the 10-year period, with a 21.9% compound annual return, and third for the five years, with 31.6%. It fell out of the top five but remained in the top 10% for the three-year period, returning a compound annualized 30.3%.

In the year ended March 31, it dropped to the fourth decile with a 23.8% return. It rebounded in the latest quarter, ranking fourth with 30.4%.

The fund, now at $80 million, invests in stocks that appear likely to have significant earnings growth in the next one to three years, said Bruce Murison, director of consultant marketing.

The fund's manager is Kenneth Heebner, a vice president of Loomis, Sayles & Co. Inc., Boston. The New England owns two-thirds of Loomis, Sayles.

Those growth stocks have come from several sectors. "Technology has been our most important area in the first quarter," Mr. Murison said, citing holdings in **Apple Computer, Seagate Technology** and **Digital Equipment.**

Also important in the quarter were drug and health care stocks, such as **Upjohn Co.** and **Merck**, and some bets on cyclical areas, such as automotive -- **Ford Motor Co.** — and papers — **Stone Container.**

The reason the fund's relative performance fell in the year ended March 31 likely was that 1986 was not a good year for growth funds, Mr. Murison said. ■

# IS where the action is.

It's happening now. It's happening fast. It's economic growth and business opportunities. And it's all happening in the nine Southeastern states of the BellSouth region.

In ten years, population will boom at a rate 44% faster than the rest of the nation; new jobs will be created at a rate 20% faster than the national average.

In ten years, there will be over 4 million new housing starts and about 4 million new jobs. Real personal income in the region will rise by 2.9% per year, compared to 2.7% for the nation.

The BellSouth management team is prepared to capitalize on this growth. They're committed to forward-looking business strategies and new technologies. And they're determined to stay ahead of the growing need for state-of-the-art products and services to meet customer needs in an expanding marketplace.

Selective acquisitions are a part of BellSouth's growth plans. BellSouth is already involved in new business opportunities that will lead to even greater revenues nationally and internationally.

BellSouth not only is in the midst of the action but is helping to make it happen.

To learn more about BellSouth, contact your broker or write: L.E. Spradlin, Director of Investor Relations, BellSouth Corporation, 675 West Peachtree Street, N.E., Atlanta, Georgia 30375, 404-420-8136.

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# Moody's sets index

NEW YORK — Moody's Investors Service Inc. has established a new corporate bond index.

"Broadly speaking, our intent is to provide corporate bond investors with a practical and immediate yardstick of price changes such as long been available in the stock market," said William O. Dwyer, president, in a prepared statement.

Moody's, in the April 2 Bond Survey, a weekly magazine it publishes, distinguished its index by noting the bond-rating agency is "an independent analytical observer of the corporate market which is not involved itself in the trading of securities of any type."

The New York-based agency also announced Commodity Exchange Inc. filed in October for approval to trade a futures contract based on Moody's Investment Grade Corporate Bond Index.

# High yields . . .

*Continued from page 15*

Stamford, Conn., whose special fixed-income fund ret urned 5.1%; Summit Trust Co., Summit, N.J., bond fund, 4.5%; and Beverly Bank & Trust Co., Chicago, bond fund, 4%.

RCB and Beverly reported using either junk bonds or high-coupon issues.

Ron Stajkowski, senior vice president at Beverly, said the basis for the fund's first-quarter success "revolves around a philosophy of high coupons with either non-call or call provisions where if they are taking it out it is taken out at a profit."

The $7 million fund is structured in a "barbell approach" where approximately 37% of the portfolio is "very short term" and matures within seven years. The remainder has a maturity in the 20-year range or more.

"That may appear to be assuming a lot of maturity risk by extending the portfolio, but I did it by buying high-coupon issues," he said.

The high-coupon approach "generates a lot of cash no matter what interest rates do," he said. The portfolio is made up of high-grade corporate bonds with high coupons, he said.

Mr. Stajkowski said interest rate forecasts play an important role in positioning the portfolio, which has an average maturity of 10 to 11 years.

"I'd say you have to do it (forecast rates) if you are operating with fixed-income money. You have to make a forecast. And if you are confident in it, you have to follow up with investment decisions," he said.

Beverly Bank's bond fund finished near the top for the longer periods as well, reporting 12.8% for the year, and compound annualized figures of 20%, 19.3% and 12.8% for the three-, five- and 10-year periods respectively.

For the 12 months ended March 31, Delaware Trust Co., Wilmington, with 21.2%, finished far ahead of second place Security Pacific National Bank, Los Angeles, with 15.3%. In third place was First Variable Life, followed by TransAmerica Life Insurance Co., San Francisco, with 14.3%.

Ken Holmes, vice president at Delaware, said the $22 million pooled fund holds medium-term high-quality bonds in the 10-year maturity range and is actively managed.

"We don't forecast and act upon interest rate forecasts. We believe the bond market is inefficient and we try to capitalize on those inefficiencies. We are active managers and for those terms we have been 99% invested; we don't hide in cash or swing maturities way out. We try to stay in the 10-year range most of the time," he said. There are "probably a dozen" issues in the portfolio, he said.

Delaware Trust also finished in the top five for the three- and five-year periods, with annualized returns of 23.2% and 21.7% respectively.

But officials at Denver Investment Advisors, which runs the First Interstate Bank of Denver fund, claim interest rate forecasting is fruitless and depend instead on fundamental analysis and basic long-term bond management.

First Interstate Bank of Denver's fund is one of the more successful longer-term bond fund investors, placing third for the three-year period with a compound annualized return of 23.7%; fourth for the five-year period with an annualized 21.5%; and placing in the top 10% for 10 years, with 12.3%. For the quarter, it matched the Shearson return of 1.5% and for the year it ranked in the top 10%, reporting 10.8%.

"For the long term I don't know anyone who can consistently forecast interest rates," said Tom Stevens, senior fixed-income manager at DIA.

The $55 million portfolio has a definite long-term emphasis, with an average maturity of 21.6 years and an average coupon rate of 9.61% at the end of the quarter, said Tom Larkin, vice president at DIA. The fund relies on long-term corporate bonds "because over the long term they have a built in yield advantage," he said.

"We de-emphasize market timing and utilize fundamental research, much of it done internally. It's a very fundamental approach to fixed-income investing. We don't bounce around a lot and we follow a traditional long-bond approach," he said.

Mr. Stevens said the key to the fund's success is found in a 1977 decision by Denver Investment Advisors to split its bond management into intermediate- and long-term portfolios.

"By separating them we found we could focus on each maturity and add value in that maturity class," he said. "Rather than making interest rate anticipation-type moves, we could focus on one to 10 years and longer than 10 years, which effectively neutralized interest rate forecasts. We also place a lot of emphasis on research. The Shearson Lehman Government/Corporate bond index is about 75% governments and agencies. We concentrate about 75% on corporates, which have a built-in 75 to 80 basis points advantage over the index."

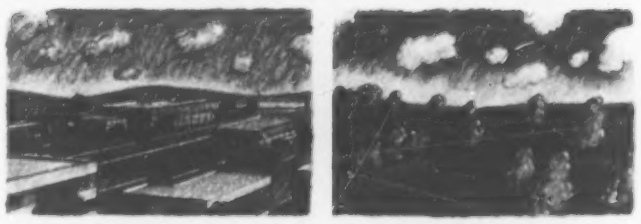
For the three years ended March 31, United Bank of Denver topped the PIPER performance list with an annualized return of 25% followed by Centerre Trust Co. of St. Louis, 24.5%; and First Interstate Denver.

United of Denver again topped the list for the five-year period with a return of 22.9%, followed by Centerre, 21.8%; Delaware Trust, 21.7%; and First Interstate, 21.5%.

United of Denver also topped the ten-year PIPER performance with a return of 13.2% followed by Sovran Bank and Centerre Trust, each with 12.9%; and Beverly Bank with 12.8%. ■


# Beat The Cycle.

**First Wachovia's counter-cyclical approach to real estate investing out-performs the competition.**



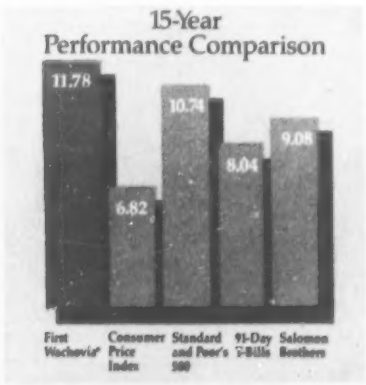
At First Wachovia, we recognized the benefits of real estate in the portfolio almost two decades ago. We saw positive real rates of return, diversification and low volatility.

So we developed a unique long-term formula for dealing with changes in the marketplace and shifting supply and demand.

Our counter-cyclical policy is simple but effective. In certain economic climates we buy quality land slated for development and assume the role – and the profits – of the developer. At other times we are better served by acquiring attractive, mature properties.

This approach allows us to take advantage of any phase of the real estate cycle. Gives us the staying power for long-term performance. And brings us a return that consistently outpaces the leading investment indices.

Our 15-year record speaks for itself. If you'd like to know more, call Nick Verano or Cindy Christopher at (919) 770-5906.




*Net of management fees

FIRST WACHOVIA


# Bonuses drop, incentives up

LINCOLNSHIRE, Ill. — Annual bonuses paid to top-level corporate executives have decreased as a percentage of total compensation while long-term incentives have increased, a recent survey by Hewitt Associates shows.

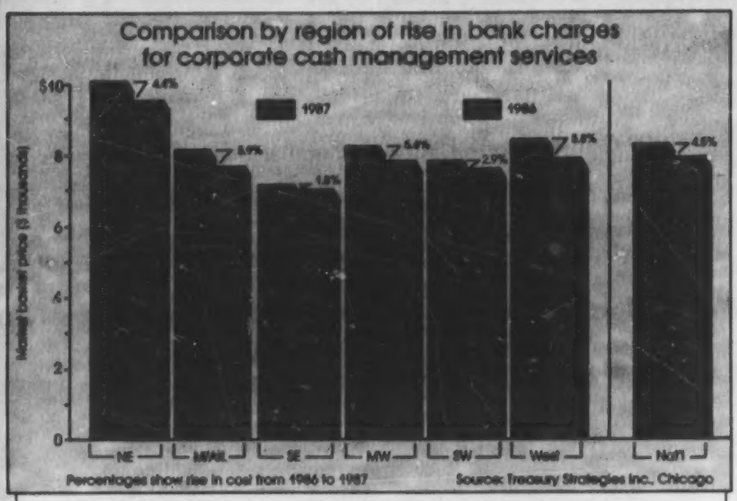
The Hewitt data, collected from 300 major companies nationwide, revealed annual bonuses made up only 17% of an executive's total compensation package in 1986, compared with 20% in 1983 and 23% in 1980.

The data also showed long-term incentives, such has non-qualified stock option plans, represented 23% of the executive's total compensation in 1986, compared with 22% in 1983 and 20% in 1980.

Benefits, such as supplemental retirement plans, also have increased, according to the findings. Benefits represented 17% of the compensation package in 1986, compared with 15% in 1983 and 13% in 1980.

Every surveyed company reported at least one perquisite program for upper level executives. Most offered an average of seven, the most popular being physical exams. ■

# Cash Management




## Compensating balance payments soar 35.2%

By Barry B. Burr

CHICAGO — Corporations that pay for cash management services with compensating balances saw their costs skyrocket an average 35.2% in the last year, while those that pay with cash found costs rise a more modest 4.5%, a survey shows.

The survey by Treasury Strategies Inc. found, in aggregate, banks nationwide raised prices for all eight cash management services.

But the survey noted differences by region and product. Increases were highest in the mid-Atlantic states and lowest in the Southeast.

The results show corporate cash managers "need to be smart shoppers" for bank services, said Anthony J. Carfang, principal, Treasury Strategies.

By product, increases were highest for account maintenance and lowest for controlled disbursement.

Overall, the increases were about double those reported by Treasury Strategies last year, when the cost of paying by compensating balances rose 16% and by cash, 2.7%.

Mr. Carfang said the wide differences between the two payment methods ought to persuade corporations to pay more bank charges in cash.

Among other findings, Treasury Strategies reported regional differ-

*Continued on page 29*

## Oppenheimer loses its hedging clients

By Barry B. Burr

Cash managers at Ogilvy Group Inc., Campbell Soup Co., Automatic Data Processing Inc. and other corporations are withdrawing or seriously re-examining their participation in a dividend capture program with Oppenheimer & Co., New York, after its hedge failed to work, causing some losses.

Executives said the problems were peculiar to Oppenheimer's strategy, rather than to dividend capture programs in general. Oppenheimer was buying utility common stocks and hedging with stock index futures or options.

"There are times the hedge does not work," said Anthony Marchese, Oppenheimer senior vice president, who helped run the program.

Stephen M. Strocker, assistant treasurer and assistant secretary of Ogilvy Group in New York, said Ogilvy, which has $5 million to $6 million in corporate cash Oppenheimer, is withdrawing from the dividend capture program after suffering unspecified losses he said aren't "a material amount for our company."

"We're going to convert it into cash as we meet the 46-day holding period."

Corporations can qualify to exclude from their income for income tax purposes 80% of the dividend they receive, if they hold the stocks for at least 46 days.

At Campbell Soup, Camden, N.J., Brenda Edgerton, assistant treasurer-financing and risk management, said, "We're disappointed with what's gone on with Oppenheimer as a manager.

"The hedge they had on the program was in no way hedging the program . . . it wasn't protecting the underlying portfolio," she added.

"The program was just as unprotected with the hedge as without the hedge," she said. "It was just throwing money away."

Campbell decided to withdraw from Oppenheimer's dividend capture program before the firm revealed the program wasn't working.

Ms. Edgerton said Campbell still has money with Oppenheimer.

"We are winding down the program," Ms. Edgerton said. "We can't withdraw all at once."

She declined to specify how much Campbell has had with Oppenheimer, or give details about performance.

According to Leonard Schafer, manager of Campbell Finance Corp., Wilmington, Del., the soup company's investment subsidiary, the company had between $10 million and $50 million with Oppenheimer (*Pensions & Investment Age*, May 12, 1986).

Oppenheimer had been a manager for about 1½ years, Ms. Edgerton added.

Campbell Soup Company

At Automatic Data Processing, Roseland, N.J., Ken Rand, vice president-treasury operations, said the company was planning to meet with Oppenheimer executives before deciding whether to continue its participation.

"We're reviewing it," Mr. Rand explained. "We haven't made any decision on what to do with it."

Automatic Data Processing has $5 million with Oppenheimer.

*Continued on page 30*

## 6 chemical companies try trade program

By Chuck Paustian

Six of the country's major chemical companies are developing a pilot program using the automated clearinghouse to pay trading partners electronically.

Participants are: PPG Industries Inc., Pittsburgh; Union Carbide Corp., Danbury, Conn.; E.I. Du Pont de Nemours & Co., Wilmington, Del.; The Dow Chemical Co., Midland, Mich.; Air Products and Chemicals Inc., Allentown, Pa.; and Sun Refining and Marketing Co., Philadelphia. Others have expressed an interest in the pilot.

Executives estimate the trading volume between any two of the six corporations at as much as $5 million each month.

Under most of the agreements, money will be available to the receiving corporation as it has been under the paper check system. After participants are comfortable with the system, however, float terms may be adjusted.

While work on the electronic payment system is conducted under the general auspices of the Chemical Industry Payments Group, payment agreements between any two companies are negotiated independently.

"Basically what it comes down to is allowing each corporation to decide how it wants to make payments," said Thomas Tabor, assistant manager-global treasury operations at PPG Industries. "It's an approach that will allow us to make (the system) as broad as possible as quickly as possible."

Initially, PPG Industries, Union Carbide and Dow Chemical will send and receive payments electronically through the automated clearinghouse using the corporate trade payment, or CTP, format.

"The long-term solution that PPG Industries perceives is that we will be providing an ANSI X-12 payment to the banks that would then be translated by the bank into the format required by the supplier," said Mr. Tabor.

(X-12 is a standard for electronic financial transactions among corporations from the American National Standards Institute. Unlike other National Automated Clearing House Association payment formats, the corporate trade exchange, or CTX, format transmits remittance data in the X-12 standard.)

Jack Potz, manager-cash management at Union Carbide, said his company even-

*PPG Industries, Pittsburgh, is participating in a program to pay trading partners electronically.*

tually would switch to the CTX format once banks are capable of handling it.

"The current expansion of the NACHA format to CTX is a good compromise between the CTP format and the ANSI X-12," said Mr. Potz.

"From our view, it's the banks that are going to make this (electronic corporate payments) work on a national basis," he said.

Conrad Pritscher, financial manager of banking and planning at Dow Chemical U.S.A., an operating unit of Dow Chemical, agreed. "Right now, (CTX) is useless because not one bank can handle it," he said.

Currently, participants in the pilot program are focusing on establishing electronic payment agreements with each other partly because of the tremendous amount of interaction among the companies.

Roger D. Bailey, manager of global treasury operations at PPG, said high volume and large dollar amounts make the electronic payment systems economically feasible.

He said PPG already has reached an agreement with Dow and is close to finalizing contracts with Union Carbide, Du Pont and Sun Refining.

PPG Industries' transactions, which will begin this month, will be through its bank, Pittsburgh National Bank, Pittsburgh.

Mr. Potz said Union Carbide has active relationships with Dow and Exxon Chemical Co., while the company is close to an agreement with Procter & Gamble and Du Pont, as well as PPG.

Union Carbide, which began exchanging electronic payments with Dow in February 1985, uses Manufacturers Hanover Trust Co. and Irving Trust Co., both in New York, to handle its payments.

Mr. Pritscher said Dow Chemical also has electronic payment agreements with Du Pont, Exxon Chemical, Exxon Co. U.S.A., Xerox Corp. and Sears, Roebuck & Co., and is working on a contract with Sun Refining. Dow uses The Northern Trust Co., Chicago, to handle its electronic payments.

Officials of the other companies could not be reached for comment.

Both PPG Industries and Union Carbide plan to incorporate as many other companies into their electronic payment systems as possible.

Mr. Bailey said company executives hope to eventually

*Continued on page 30*

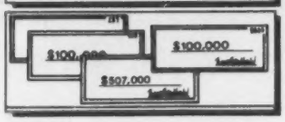
**Payden & Rygel index of short maturity assets***
(for month ended April 30)

| | April 1987 | Quarter ended 3/31/87 | Year to date | 12 months ended 4/30/87 | Yield level monthly change* |
|---|---|---|---|---|---|
| | Unannualized total returns | | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4944 | 1.4350 | 1.9375 | 6.0565 | – 8 |
| Domestic CD | 0.4377 | 1.5125 | 1.9557 | 6.3325 | 53 |
| Euro $ CD | 0.4405 | 1.4925 | 1.9403 | 6.4437 | 60 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.4036 | 1.3950 | 1.8052 | 6.1795 | 22 |
| Domestic CD | 0.2142 | 1.3875 | 1.6041 | 6.0379 | 74 |
| Euro $ CD | 0.2522 | 1.3075 | 1.5622 | 6.1232 | 70 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.0954 | 1.2850 | 1.3824 | 6.1586 | 47 |
| **2-year** | | | | | |
| U.S. Treasury note | – 0.9515 | 1.2275 | 0.2648 | 5.6377 | 84 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
[a]Basis points.
Source: Payden & Rygel, Los Angeles

# Workstation added

**Cash accounts**



MILWAUKEE — A.O. Smith Corp., in separate projects, is installing a treasury workstation and is undertaking a study of its disbursement system, said Stephen J. Rothe, cash manager.

The company bought the treasury workstation from MH Financial Management Systems Inc., Chicago.

In addition, Smith hired NCNB National Bank, Charlotte, N.C., to conduct the disbursement study.

Mr. Rothe noted First Tennessee Bank, Memphis, now handles the company's controlled disbursement from its Johnson City, Tenn., branch.

"We wanted someone a little bit objective," he added, referring to NCNB. He said NCNB doesn't provide any such service for the company.

The company has used First Tennessee for controlled disbursement for several years, he said.

Mr. Rothe said the MH workstation will enable the company to save more than $10,000 annually by dropping intermediary services that gather reports from its nine banks. Smith has been using Manufacturers Hanover Trust Co., New York, and M&I Marshall & Ilsley Bank, Milwaukee, for the reporting, he added.

The workstations will automatically gather the information.

Smith could have gathered the data directly without the workstation or intermediary services, but that would have been too time consuming and costly, he added.

He said Smith chose MH for the workstation because "they have a large number of systems (in the market) and a solid history of treasury workstations. We feel they will be there in the long run."

He expects MH, a unit of Manufacturers Hanover Trust Co., New York, to begin installing the treasury workstation in late May.

He doesn't expect the new system to become fully operational for about six months, until he and others in the cash management department learn to use it.

The workstation will replace much of the manual gathering and rekeying of information on the company's daily cash position, including bank balances.

## Con-Ed unit hires 4

NEW YORK — A unit of Consolidated Edison Co. of New York hired four investment managers to run corporate cash, according to John Perkins, director-financial services.

The unit, Gramercy Capital Corp., hired Ross Capital Corp., Paramount Capital Group Inc., and M.D. Sass Investors Services Inc., all of New York, and invested in a limited partnership run by George Weiss Associates Inc., Hartford, Conn.

All four run dividend capture programs and were assigned $100 million total, Mr. Perkins said.

Gramercy is a non-regulated financial unit formed in October by Con Ed to invest its excess cash.

Weiss was assigned $40 million, while the other three each received $20 million, he said. Mr. Perkins said Weiss' strategy involves buying utility stocks, while shorting, or selling, a similar utility, or even the same utilities.

The other managers will invest in high-yield common stocks, generally avoiding utilities because of Con Ed's limitation on the amount of utility stocks it may own.

At the same time, the managers will write, or sell, call options on the stocks.

Mr. Perkins said the four managers are the first of what he expects will be several groups of money managers the company will hire to invest $300 million in corporate cash generated by the utility.

Ultimately, he said, the company expects to deploy another $200 million with outside managers in fixed income and stocks. He said it is nearing selection of more managers.

Mr. Perkins said the total amount represents "corporate cash we're holding in reserve for the utility whenever our next building cycle comes around, maybe in another 10 years."

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# Payments . . .

*Continued from page 27*

ences from the national average in price increases. Charges for the eight cash management services surveyed rose in aggregate:

- 5.9% in the mid-Atlantic states;
- 5.8% in the West;
- 5.6% in the Midwest;
- 4.4% in the Northeast, including New York;
- 2.9% in the Southwest, including Texas; and
- 1.8% in the Southeast.

For the eight cash management services, Treasury Strategies found charges rose nationally in the year ended in January:

- 17.8% for account maintenance, including statement charges and Federal Deposit Insurance Corp. premiums, if any;
- 7.2% for cash concentration;
- 6.9% for balance reporting;
- 2.7% for account reconcilement;
- 1.4% for controlled disbursement;
- 4.9% for wholesale lockboxes;
- 3.8% for incoming wire transfer; and
- 4.7% for outgoing wire transfer.

Mr. Carfang said Treasury Strategies surveyed 78 banks, including nearly all of the top 20 money center banks and about 50 of the top 150 regional banks. Only 30 banks were surveyed last year.

The survey, unlike previous surveys, didn't break out differences in pricing between money center and regional banks. "It turned out to be a distinction that was confusing to some people and offensive to some banks that considered themselves money center banks and that we called regional," he said.

Treasury Strategies doesn't disclose price changes of particular banks.

The rise in prices are based on changes in Treasury Strategies bank price index over the past year, as illustrated in the accompanying chart. The index measures the monthly cost of a representative market basket of cash management services to a manufacturing company with $250 million in sales.

A typical company using the eight services would spend on average $8,290 a month, based on the national average. A company using Northeast banks would pay the highest, $10,040, while one using Southeast banks would pay the lowest, $7,160.

Mr. Carfang said this year's aggregate increases, though higher than last year, are still below price jumps earlier in the decade, caused largely by the Monetary Control Act of 1980, when banks began passing on increased fees the Federal Reserve Board charged for cash management services.

The results show corporations "really need to consider the option of paying in fees rather than balances, because balances have gone up quite a bit," he said.

Compensating balances are non-interest bearing deposits corporations maintain at banks.

He attributed the rise in balances to declining interest rates and an attendant drop in the earnings credit rate, an interest rate banks impute on the balances, allowing corporations to offset the cost of cash management services.

The average earnings credit rate fell to 5.46% from 7.1% last year, according to the survey. In 1980, it was 13.6%.

Combining the drop in the earnings credit rate and the rise in bank prices, a typical corporation needed $250 in balances to pay for every $1 in monthly cash management service charges as of January 1987.

By contrast, corporations needed $185 in balances last year. In 1980, when Treasury Strategies began the survey, they needed $100 in balances.

Mr. Carfang said, as a result of the survey, corporate executives should conclude they need to give increasing attention to bank charges.

He suggested the price increase in account maintenance was the highest because "I guess banks have a feeling that it isn't a price-sensitive product. People aren't going to close accounts just because the price goes up 17%. It's not very elastic" in price.

He also noted more banks are charging for FDIC premiums. He said from two-thirds to three-quarters of the banks surveyed assess such charges, often $58 a month for every $1 million a corporation has in balances.

"It's one of those things that has really never been challenged" by corporate cash managers, Mr. Carfang said.

"The FDIC charges banks for insurance based on total ledger balances, irrespective whether those balances are insured," he added. Corporate deposits are essentially uninsured, with the FDIC only covering $100,000.

The FDIC fee assessed by banks on corporations "is another one of those ways of taxing the big guys," he said. "It especially hurts companies that have a lot of checks coming in," such as securities firms.

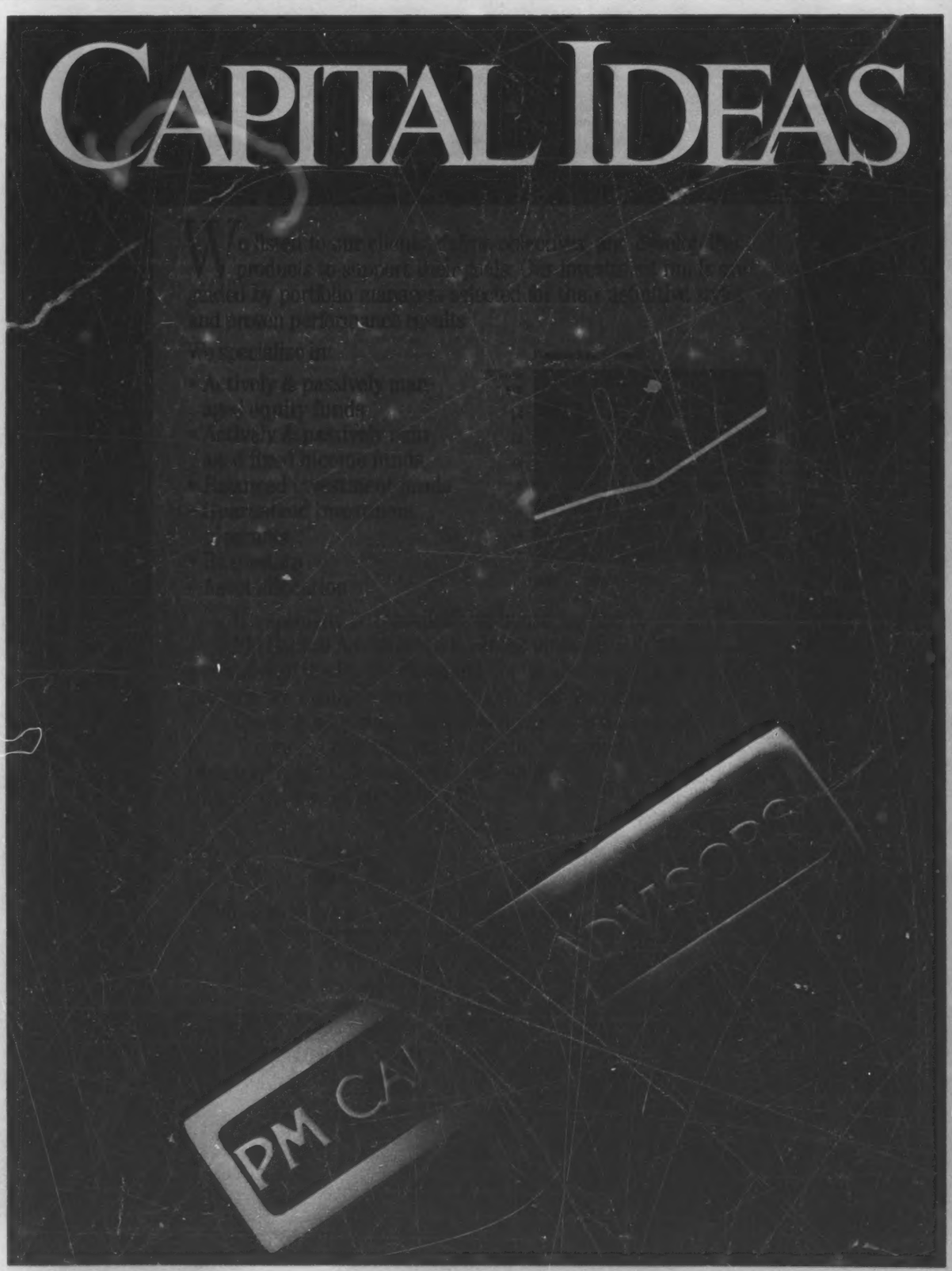
He said the effects of increasing competition among banks is evident in the results that found little increase in controlled disbursement costs.

Such costs "actually declined at several banks," he said. "The market is really competitive for controlled disbursement right now."

He doesn't expect any shakeout, with some banks dropping the services, because of the low cost. "I expect prices to continue to fall," he added. ■

*Pensions & Investment Age's* regular Datebook section includes a listing of upcoming events in cash management.

If you are sponsoring a conference or meeting focusing on cash management, please send the information to Arline Larson, *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611-2590; (312) 649-5407.



# Real Estate

## Retail bonanza

### County plan invests in centers

By Steve Hemmerick

BAKERSFIELD, Calif. — The $340 million Kern County Employees' Retirement Association in Bakersfield, Calif., has invested about 80% of its $20 million real estate allocation in neighborhood shopping centers in California.

Retail investments generally have outperformed other classes of real estate, according to the FRC Property Index. Indeed, Phil Franey, county treasurer, said the fund expects an annual return of between 8% and 9% on the centers.

Its California shopping center purchases include $3.6 million for the 86,500-square-foot Carroll Way shopping center in San Diego; $2.7 million for the 27,890-square-foot Padre Plaza center in San Diego; $3.5 million for the 28,695-square-foot Sunnymead center in Mareno Valley; and $4.7 million for the 105,584-square-foot La Verne center in La Verne.

Kern County entered the real estate market in early 1986. It purchased the La Verne Center in February and the Padre Plaza in January; the rest were purchased during 1986.

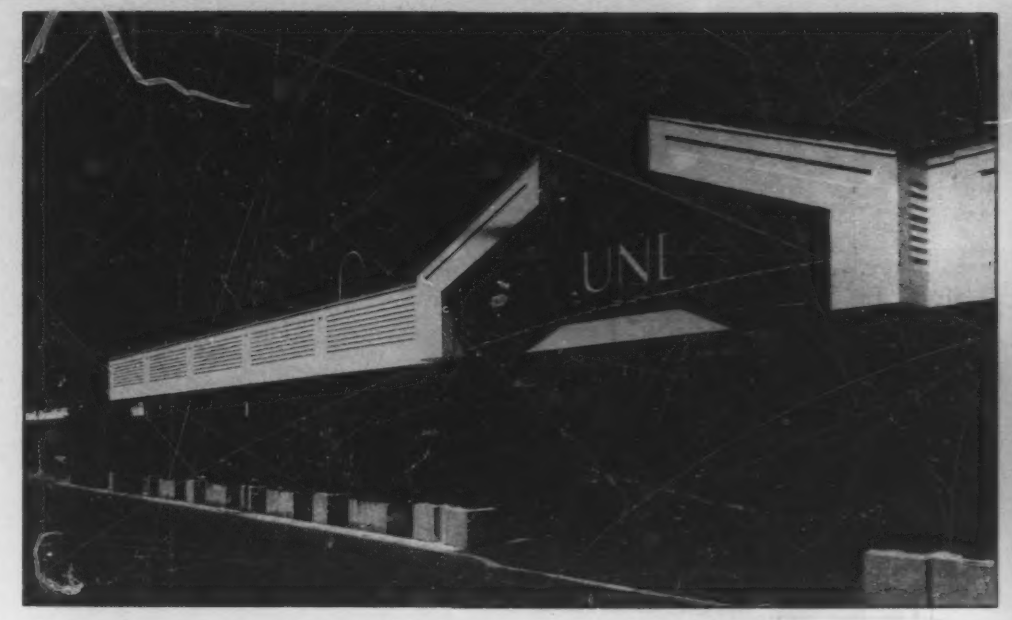
In addition, the fund paid $3.7 million for the 45,789-square-foot Woodrise office building in Bakersfield.

Mr. Franey said the nine-member board prefers to invest in California because it likes an emphasis on in-state investments and because of a uniformity of laws and restrictions regarding real estate properties. But he said it's possible the fund will buy elsewhere in the future.

So far, the fund has invested about $19.2 million of its $20 million allocation, all through its real estate adviser, Trident/Meyer Real Estate Advisors, Anaheim, Calif.

The board has final say on approving equity properties, which are brought to the board after Trident/Meyer staff members do due diligence on the potential investments.

At a future date, Mr. Franey expects the fund will invest further in equity real estate and could add more investments outside the retail area. First, however, the fund probably will do an asset allocation study once a consultant is hired. Finalists are: Callan Associates, San Francisco; SEI Funds Evaluation Services, Wayne, Pa.; and Wilshire Associates, Santa Monica, Calif. Presentations will be made April 22, and a selection is expected next month. ■



*Retail properties, such as the Colonial Square shopping center near Minneapolis owned by The RREEF Funds, are drawing the interest of pension fund executives committing new money to real estate.*

## Pension execs commit to real estate projects

By Steve Hemmerick

Several pension fund executives are making real estate commitments, believing they can find good deals despite many trouble spots.

- The $7.3 billion Virginia Supplemental Retirement System, Richmond, will invest $100 million in joint development projects in Virginia and another $100 million in projects elsewhere.
- The $265 million pension fund of Maytag Co., Newton, Iowa; the $100 million pension fund of Clorox Co., Oakland, Calif.; and the $730 million endowment of the Massachusetts Institute of Technology, Cambridge, have allocated undisclosed amounts to the RREEF MidAmerica/East-V closed-end real estate fund, managed by The RREEF Funds, San Francisco.
- The $488 million Colorado Fire & Police Pension Association, Denver, purchased, at an undisclosed price, an office building sold by a liquidated RREEF fund, and a strip retail center in Aurora, Colo., also at an undisclosed price. Both purchases were made through Mellon Real Estate Investment Management Corp., New York, which advises the system on direct real estate investments.

In Virginia, the joint development projects haven't been selected yet, but a requirement for investment will be that partners put up $1 of their own money for each $1 the pension fund invests.

That will be an incentive to achieve top returns, said Tom Hassard, investment officer-real estate, for the Virginia fund.

He said the fund is negotiating with one insurance company, but he declined to identify the company or discuss the project. Mr. Hassard said other pension executives have put together similar deals where partners put up an equal share of money, and Virginia officials believe such an approach should be effective.

The $125 million RREEF fund will invest during the next 18 to 24 months in shopping centers, industrial properties and office buildings.

Like previous MidAmerica/East funds, it will invest in all-cash transactions in substantially leased, well-located properties costing up to about $15 million.

In Denver, Johnnie Rogers, deputy executive director of the Colorado Fire & Police fund, said the office building the fund bought from RREEF is a 31,000-square-foot V-shaped building. The purchase includes 110,000 square feet in development rights. The building and development rights are in the Denver Tech Center, a big development project in the

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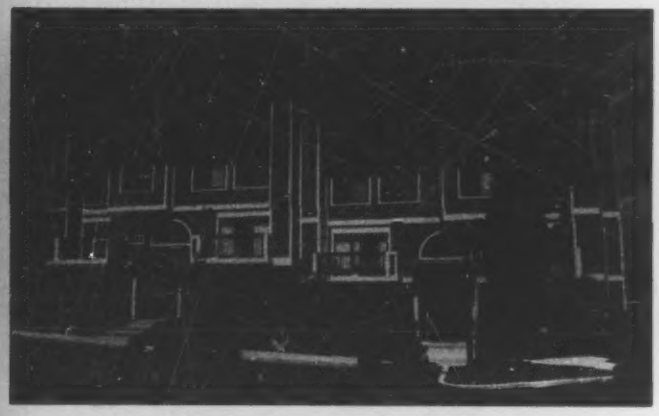

*First Chicago's Fund F is moving into retail and apartment properties such as the Bethesda Hill complex in Bethesda, Md.*

## *First Chicago fund takes on new focus*

By John Covaleski

CHICAGO — After sustaining $34 million in asset withdrawals last year, a restructuring of property holdings in First Chicago Investment Advisors' Fund F is resulting in votes of confidence from some clients.

As of March 31, the open-end fund had $662 million in gross assets — the market value of the properties and the cash held in the account.

Charles A. Perlik, co-chairman of the $10 million Newspaper Guild International Pension Fund, Washington, and Jeff Molitor, manager of pension assets at the $1.1 billion Standard Oil Co. fund, Cleveland, each said they are encouraged by a restructuring under way in Fund F.

First Chicago is shifting the fund's allocation away from offices and into retail and apartment properties.

Mr. Perlik said the Newspaper Guild's pension fund board will meet soon to review its about $2 million investment in Fund F. He added the restructuring "will be the inducement that will make us stay."

He said fund officials have been "very disappointed" with Fund F, noting its 5.2% return for calendar year 1986 compares to 15.9% returned by the pension fund's overall investments last year.

The Guild fund also has about $2 million invested in a balanced account managed by NWQ Investment Management Co., Los Angeles, and the remainder in guaranteed investment contracts, Mr. Perlik said.

Mr. Molitor at Standard Oil said he's not overly concerned about Fund F's 1986 return rate noting, "it was a dismal year all

*Continued on page 41*

## Returns in index vary by region

By Steve Hemmerick

Office building returns were up in the East and down in the South — with a gap of almost 15 percentage points — during 1986, the FRC Property Index shows.

The index reported a return of 11.6% for office properties in the East, where construction has been moderate and the economy, relatively healthy, vs. a −3.2% for those in the South, which has suffered from an office building spree in some areas coupled with a depressed oil economy. One-

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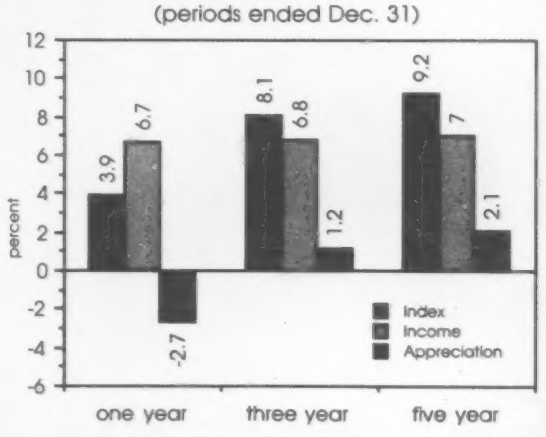



Source: National Council of Real Estate Investment Fiduciaries and the Frank Russell Co., Tacoma, Wash.

# Office vacancy rate is steady at 21.5%

By Steve Hemmerick

LOS ANGELES — The office vacancy rate has held steady at 21.5% in major American metropolitan areas for the three quarters ended March 31, according to the Coldwell Banker Office Vacancy Index.

This leveling off of vacancy rates, after about three years of increases, could mean rates have hit or are approaching a peak in metropolitan areas, at least in the short term, said Gregg Gotthard, a real estate analyst with Coldwell Banker in Los Angeles.

But the leveling most likely will remain only if the economy stays strong, Mr. Gotthard said.

The nine months of steady rates is the result of declining vacancies in downtown areas and increasing vacancies in the suburbs.

The downtown office vacancy rate reached a peak at 16.8% June 30. By March 31, the downtown vacancy level fell to 16.3%.

A 5% vacancy rate for offices is considered optimal. That last occurred Dec. 31, 1981, when the office vacancy rate was 4.8%. The suburban vacancy rate increased to 23.9% as of March 31, from 23.8% Dec. 31 and 23.3% June 30.

For the quarter ended March 31, vacancy levels increased 5.4 percentage points in Oklahoma City, which now has the highest vacancy rate of all downtown areas at 32.2%.

San Diego had the largest decrease in vacancy rates for the quarter, down 2.8 percentage points to 14.2%.

The suburban area of Atlanta reported the largest increase in vacancy rates as of March 31 to 21.7%, up 2.5 percentage points from the previous quarter. The largest decrease in suburban office vacancy occurred in suburban San Antonio, Texas, down 2.2 percentage points to 29.7%.

Deregulation of banks and thrifts, the interest of foreign investors and domestic pension fund officials' willingness to support new developments have made the market harder to predict.

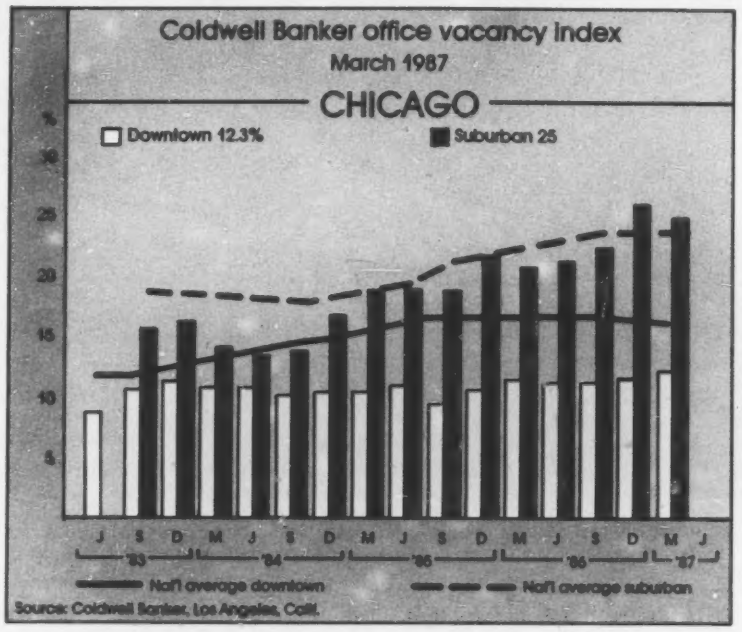
But Mr. Gotthard noted construction in suburban areas has gradually fallen to about 60 million square feet from 90 million square feet in 1985. If absorption levels — or tenant demand for space — remain steady, the suburban office vacancy rate could decline.

Predictions about downtown development are complicated by the five- to eight-year building time because of restrictions during the planning and environmental approval processes.

Some developers, figuring at current absorption levels there is only a two-year demand for downtown office space, could begin building again, causing vacancy rates to rise.

Most of the weakness in the office market has been the result of the supply of space and not the strength of the economy, said Randall C. Zisler, a vice president with Goldman, Sachs & Co., New York.

Though he didn't think office vacancy problems have hit "bottom," he said, "I think we are getting close to it. You are starting to see an increase in absorption, which has prevented the vacancy rate from rising much further." ■

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# Returns in . . .

*Continued from page 39*

year office property returns were 6.6% in the Midwest and −0.9% in the West.

(The FRC Property Index monitors performance of $11.2 billion in unleveraged commercial properties managed by real estate advisers who are members of the National Council of Real Estate Investment Fiduciaries. The index, calculated by the Frank Russell Co., Tacoma, Wash., divides the country into four geographic regions.)

The only sharper regional differences in returns on office buildings occurred in 1978, 1979 and 1980 between the East and Midwest regions, but in those cases all investment returns were positive.

In 1980, the sharpest regional difference — 33 points — separated the returns of office buildings in the tight Eastern market, which scored to a 41.2% return, and the Midwest, which had an 8.1% return.

Since then, regional differences had been narrowing.

Because of the large number of office properties in the South and West, the overall index return for office buildings for calendar 1986 was 3.9%, vs. 8.3% a year earlier.

Many real estate advisers reported earlier in the year that they were doing some sharp re-evaluations of property values, and those re-evaluations seem to be reflected in the index numbers.

The downward appreciation was so sharp that 1986 was the first year in the index's nine-year history that office buildings in the aggregate showed a decrease in property values.

In fact, the devaluation of office properties was responsible for dragging down the index's overall return of 6.3% for all property types last year. The income return during 1986 was 7%, but the total return for the year fell lower because of a −0.7% in appreciation.

Retail properties across the country scored a 11.2% return in 1986, nearly double the overall return. The 1985 return for retail properties was 11.3%.

Part of the reason office buildings have such an impact on return is that 50.4% of the total market value of the properties in the index are offices.

Retail properties reflect only 18.8% of the market value of the index. The East produced the highest retail returns, 16.7%, followed by 11.9% in the Midwest, 10.6% in the West and 9.6% in the South.

According to W. Richard Russell, a senior vice president with Equitable Real Estate Investment Management Inc., New York, regional and super regional malls are the most preferred retail property types because they tend to respond well to inflationary and deflationary periods.

Industrial properties registered an 8.1% overall return in 1986 — 11.8% in the East, 10.1% in the Midwest, 8.2% in the West and 4.8% in the South. The 1985 return was 11.5%.

During the year, warehouse industrial properties outperformed office research and development properties by 140 basis points.

Despite the better performance of retail and industrial properties, the overall index's returns are expected to lag until office properties pick up.

"The question is, 'How long will those (office leasing) markets remain weak?' Our expectation . . . is that the nation as a whole will have weak leasing markets for a substantial number of quarters, certainly for the next couple of years," said Randall C. Zisler, a vice president in the real estate research department at Goldman, Sachs & Co., New York.

He noted the situation isn't all bleak: The Northeast and certain classes of properties, such as retail, have done well.

Also, he said, large properties with high-quality tenants — such as trophy office buildings — have shown appreciation in value, even in weaker markets.

"What is interesting is that practically all property types have done well in the Northeast. The reason for that is that in the Northeast during the last seven years, there has been relatively less construction there on a per capita basis and/or in relationship to the existing inventory of space," said Mr. Zisler.

Also, he said, the rate of growth in the economy in the Northeast has been strong, and the region has outperformed all others in return on investment for properties.

On the subject of appreciation, Mr. Zisler said, "I would expect that for the remainder of the year, the index is going to be showing no appreciation or negative appreciation."

But over the long term, real estate offers risk-return characteristics that have a low correlation with those of stocks and bonds. Consequently, real estate reduces the risk of the pension or other portfolio and smooths returns, he said.

He warned, however, that investors have to property pickers, not market pickers. ■

### Geographic asset allocation of non-U.S. portfolios

| | InterSec median portfolio | | EAFE | |
|---|---|---|---|---|
| Country region | 1st qtr. '87 | 4th qtr. '86 | 1st qtr. '87 | 4th qtr. '86 |
| Japan | 34.3% | 36.1% | 57 % | 53.9% |
| Other Pacific Basin | 10 | 8.4 | 4.8 | 4.8 |
| United Kingdom | 18.5 | 10.5 | 14.1 | 13.2 |
| Continental Europe | 30.6 | 38.1 | 23.9 | 27.9 |
| Other | 1.6 | 0.1 | NA | NA |
| U.S. cash | 1.4 | 1.6 | NA | NA |

Source: InterSec Research Corp., Stamford, Conn.

# U.K. benefits . . .

*Continued from page 3*

ter, but as the Pacific Basin was being reduced little by little, money was moved to Europe," which is relatively undervalued, said Sawada Haru, vice president. At the end of the first quarter, Europe represented 46%, of which 19% was in the United Kingdom.

The firm is not reducing its 46% Japan exposure (as of the end of the first quarter). "We can find good value across the board — even in financial and construction sectors — even though the overall market seems to be high. The Japanese market still has upside protection. We look at other valuations besides (price-earnings ratios); p/e is an important one, but that's not the only one in judging a country or market," he said. Nomura runs $800 million for tax-exempt clients.

Simms Capital Management Ltd., New York, isn't reducing Japanese exposure further, either. Japan now represents 30.8% vs. 34% at the end of last year. "We reduced it and are happy with the companies we own," said Arthur Williams III, partner.

The firm runs $500 million in global and international assets, of which $40 million is for U.S. tax-exempt clients.

"We think that commodities on a worldwide basis priced in dollars are very cheap for yen and deutsche mark investors and businesses buying commodities for their operations. There's room for these things to jump in price," he added.

Exposure to West Germany varies widely. Schroder scaled back to 10% March 31 from 16% at the end of last year because the German government failed to stimulate its economy.

"We were greatly disappointed the German government did not boost domestic demand the way world leaders urged them to do. Given their unremitting intransigence, we expected the German economy to be weaker," Mr. Foulkes said.

"Japan's government has at least muttered about stimulating the economy, proposing measures."

Kemper-Johnstone, on the other hand, remains overweighted in Germany vs. the index at 11.1% as of March 31 vs. 14.3% at the end of December. ■

# Exposure cut . . .

*Continued from page 3*

Flying the extra mile has paid off, even though the fund's contrarian strategy leads it far from the mainstream large-capitalization stocks that dominate the Morgan Stanley Capital International Europe Australia Far East index.

In mid-1986, after investing 80% in Japan and 20% in Hong Kong for its six years in international equities, it began moving to its current 16% in Europe, 64% in Japan and 20% in Hong Kong.

In the five years ended Dec. 31, Cleveland-Cliffs' international portfolio tied the top international fund manager in Pensions & Investments' Performance Evaluation Report, earning a compound annualized 30.8%, compared with the EAFE's 28.8%.

For the three years, the fund earned a compound annualized 36.9%, compared with the EAFE's 42.2%. The top PIPER manager for the same period returned an annualized 44.3%.

In 1986, with the dramatic mid-year shift in asset mix, the fund returned 65.5% vs. the EAFE's 70%, and the top-ranking PIPER fund's 97.7%.

"(Our investments) are generally out-of-the-way-type vehicles that bigger funds couldn't make a meaningful dent into," said Mr. McMillan.

"We go where the hunting grounds are best, internal rates of return are highest and the whole cultural and political structure is cooperative, not antagonistic to business."

That's why "we toyed with Australia and turned it down at the very beginning because we didn't feel the business climate was favorable," Mr. McMillan said.

His team then focuses on individual sectors where internal rates of return are highest. Japan's sectors are not among them now to the extent they were in the past.

But stocks in small-company sectors were more undervalued by the Japanese market during the past six years than they are now.

In the past, "it was our impression Japan underpriced emerging growth stocks relative to the rest of the economy and overpriced mundane stocks.

They value relatively highly the companies we'd value lowly here in the U.S." e.g., automobile and steel companies and fisheries.

The investment approach seeks inefficient pricing in 10 different stock categories from low price-earnings to emerging growth and small capitalization. Each category has different buying criteria.

Greenleaf implements its approach with the broad investment guidance of Nicholas Bratt, managing director of Scudder, Stevens & Clark, New York. "But our portfolio doesn't really resemble theirs. We impose our criteria on his knowledge base," Mr. McMillan said.

Its global trustee is Mitsubishi Bank, subagent of the fund's master trustee, AmeriTrust Co., Cleveland.

Cleveland-Cliffs decided to move its pension management to Greenleaf when Mr. McMillan, who wanted to add several new staff members, realized it would be more cost-efficient to have outside management. As part of the arrangement, Greenleaf hired several of Cleveland-Cliffs' in-house staff members.

Mr. McMillan, although not originally planning to move to Greenleaf, resigned as Cleveland-Cliffs' vice president-finance to avoid a potential conflict of interests over his ownership of shares of MLX Corp., the reorganized McLouth Steel Products Corp., in which Cleveland-Cliffs held a 23% interest. Cleveland-Cliffs is primarily an iron company that services the steel industry.

"We didn't want to lose performance," he said, in explaining the selection of Greenleaf.

"We looked for an outside outfit where we could put our outfit. Only one outfit in Cleveland had the flexibility and investment style and approach we wanted. That was Greenleaf."

Before receiving the Cleveland-Cliffs account, Greenleaf had a relatively small amount under management, which was important to the Cleveland-Cliffs' approach. Also, its investment team was not encumbered by a bureaucracy.

Other advantages were the non-Wall Street staff and the Cleveland location.

"Managers here are not from Wall Street but from industry. That is absolutely critical to having a fresh and different perspective on money management," said Mr. McMillan, a Wall Street investment manager before joining Cleveland-Cliffs.

"We have a strong contrarian streak in our thinking, and a long-term perspective. If you play the quarter-to-quarter game, you're always trying to outguess the next guy and I can't do that. Wall Street tends to penalize a company whose current earnings are below normalized earnings (average earnings over a 10-year period). The psychology behind inefficient pricing is an immense herd instinct," he said.

Wall Street hardly considers that some companies have cyclical earnings, he noted.

One such company held by Cleveland-Cliffs' pension fund, **Dow Chemical Co.**, had subnormal earnings from 1977 to 1983 but is now at normal to higher earnings. ■

# Executives warned . . .

*Continued from page 1*

the corporation the authority to vote the proxies.

Without such authority, "both are liable," he said.

Morton Klevan, director of policy development and evaluation for the Pension and Welfare Benefits Administration, went even further: "If a plan sponsor feels strongly about proxy voting, it appears that the worst thing he could do, from a legal point of view, is direct the proxy voting of his investment manager," he said.

Speaking at a conference at the Boston University School of Law, Mr. Klevan outlined the risks and duties of pension and trust fiduciaries as corporate shareholders. He was speaking as an individual, not as a representative of the Labor Department.

If the chief financial officer or chief executive officer reserved the vote for himself in the plan document by deeming himself a plan trustee, the company could be liable for the day-to-day investment decisions of the plan's outside investment managers, Mr. Klevan said.

But that depends on "whether the courts conclude that the voting of shares of stock managed by an investment manager is an integral part of the investment manager's management of plan assets," Mr. Klevan said.

When directing proxy votes violates the Employee Retirement Income Security Act, all parties involved — including a plan's trustee, investment manager and the executive directing the vote — could be held liable for any resultant losses to the plan, he said.

If a corporate officer directs the pension fund's trustee bank to vote in favor of a proxy proposal, the first questions to ask are whether the plan expressly provides for directed trustees, whether the plan provisions cover direction on these sorts of issues and, if so, is the chief financial officer the person described in the plan as the one to give the direction, Mr. Klevan said.

If the plan document does not designate the chief financial officer or other executive as the one to give the direction, "the directions should be ignored by the trustee," said Mr. Klevan.

If the plan specifies the trustees are to be subject to the direction of the chief financial officer with respect to the voting of proxies on all matters other than routine ones, the trustees then would have to examine the direction to determine whether it violated any provisions of ERISA. If so, the trustee would be duty-bound to ignore the direction, he said.

The chief financial officer cannot validly direct an investment manager to vote the proxies. "There are no provisions in ERISA for directions to investment managers," said Mr. Klevan. An investment manager is not a trustee of assets of a plan, therefore, investment managers cannot be directed, he said.

If a plan document gives the executive the right to vote proxies on all non-routine matters, he could vote the proxies only if he were a duly appointed trustee of the plan, he said.

That's because only trustees or investment managers can dispose of plan assets. (The right to vote has an economic value and would be considered a plan asset, Mr. Klevan said.)

In another scenario, if the trustee bank is also an investment manager, there may be a question as to whether a named fiduciary can appoint an investment manager to manage a particular asset or assets of the plan while reserving the proxy vote to plan trustees.

*Morton Klevan believes sponsors should have written guidelines for proxy votes.*

"It can be argued both ways but is usually an open question," Mr. Klevan said.

Given the risk of sharing liability with a chief officer who directs proxy votes, and "because investment managers and bank trustees cannot, as a practical matter, prevent gratuitous directions or suggestions as to how to vote proxies," Mr. Klevan advised managers and trustees to have written guidelines for voting on corporate governance issues and to communicate these guidelines to clients prior to engagement.

Mr. Walker, who is widely expected to be named head of the pension unit, replacing Dennis Kass, indicated in a separate interview that the Department of Labor is working closely with the Securities and Exchange Commission in examining the proxy voting activities.

The SEC is responsible for proxy voting and tender offers. The Labor Department's interest in corporate governance issues and proxy voting stems from its oversight of pension and welfare benefit plans and the fiduciaries who vote on behalf of those plans and the plan assets.

The government's efforts come at a time when both agencies have come under fire from shareholder rights groups, big institutional investors and others who say neither department has taken a strong stand on corporate governance issues.

Mr. Walker said the Labor Department is encouraging corporate pension fund executives and investment managers to prepare proxy voting guidelines, and to document voting and the reasoning behind the votes.

In addition, he said the department is considering whether to provide guidance to ease the growing confusion over what a fiduciary's duties on corporate governance are under ERISA.

"It's clear that fiduciary duties aren't well understood," Mr. Walker said.

When the fiduciary is a corporate executive, a potential conflict erupts among the best interests of the company, the best interests of the shareholders and the best interests of the management.

Under ERISA, a fiduciary is mandated to act with the sole interests of the beneficiaries in mind.

The deputy assistant secretary vowed the department would "aggressively prosecute" violators. The SEC has taken the same position.

Shareholder rights' groups and large institutional investors have charged the Labor Department and the SEC have not moved aggressively against the apparent conflict of interest in corporate proxy battles. In particular they have cited this year's letter-writing campaign by chief executives.

They have argued the threat of losing a big client could be enough to make a money manager succumb to pressure from corporate executives.

Corporate executives argue they are just trying to make their views known, and are not trying to unduly influence the manager.

Mr. Walker admitted "some activities are troubling, and the conflicts of interest potential is huge." But he noted there is nothing illegal about a company revoking the voting authority of money managers, so long as the company recognizes it is acting as a fiduciary and carries out those duties in line with the law. ■

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# THE Largest Money Managers

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# Assets of top 100 up 22%

**By Carol Wiley**

The nation's 100 largest money managers reported a healthy 22.4% increase in total assets under management and a 23% increase in tax-exempt assets in 1986.

*Pensions & Investment Age*'s top 100 managers had $1.811 trillion under management as of Jan. 1, vs. $1.48 trillion a year earlier. Tax-exempt assets of the top 100 grew to $1.037 trillion as of Jan. 1 vs. $843 billion a year earlier.

Gains resulted primarily from the booming capital markets and, secondarily, from new business, especially in such areas as 401(k) salary reduction plans.

Among the highlights of *P&I Age*'s 14th annual directory of investment advisers:

- Market share among the top 100 shifted to banks and their subsidiaries and away from insurance companies and their subsidiaries, which last year claimed the biggest market share (*see story on Page 2*).
- Insurers generally increased their equity exposure during the year ended Jan. 1, while banks generally increased their investments in real estate.

Consultants and insurance company executives alike were hard pressed for an explanation for the insurers' increased activity in the stock market.

Ronald Jones, partner with Hewitt Associates, Lincolnshire, Ill., said he found it "puzzling" and suggested that, because insurance companies generally offer specific products rather than a total portfolio approach, their asset mix is "demand-driven." "(Independent) managers are actively making their decisions, and their asset mix is determined by their decisions," Mr. Jones said. "The (independent) managers decided to cut back as the bull market went higher, but the insurance company clients decided to go higher into equities with the bull market."

Peter Heard, senior pension analyst at The Travelers Cos., said he and others at the insurance company were stumped by the statistic.

"Maybe it's the advent of indexed funds," Mr. Heard said, "or maybe plan participants saw the market taking off and saw a way to take advantage of it."

- The amount of bond index fund money under management by the top 25 managers in that category skyrocketed 102% during the year ended Jan. 1, to $24 billion from $11.86 billion.
- Equity index funds grew more slowly. The top 25 equity index fund managers reported a 37% increase, to $91.9 billion as of Jan. 1 from $67.2 billion.
- Investments in international markets increased 84% among the top 25 international managers, to $47.4 billion as of Jan. 1 from $25.8 billion.
- The top 25 managers of 401(k) and 457 savings plans showed a 132% gain in assets under management for such plans, to $53.79 billion as of Jan. 1 from $23.16 billion a year earlier.
- The number of managers using options and financial futures increased substantially during the year ended Jan. 1, with 259 using options (up from 220); 126 using stock index futures (up from 91); and 122 using fixed-income futures (up from 82).

Tables listing these and other leading managers in various asset classes can be found throughout *P&I Age*'s 1987 directory.

Among the 100 largest managers were 38 banks and their subsidiaries, 34 independent investment advisers and 28 insurance companies and their subsidiaries.

Statistics were compiled from questionnaires submitted by 984 U.S., Canadian and other foreign managers of U.S. tax-exempt assets. Profiles of these firms begin on Page 15.

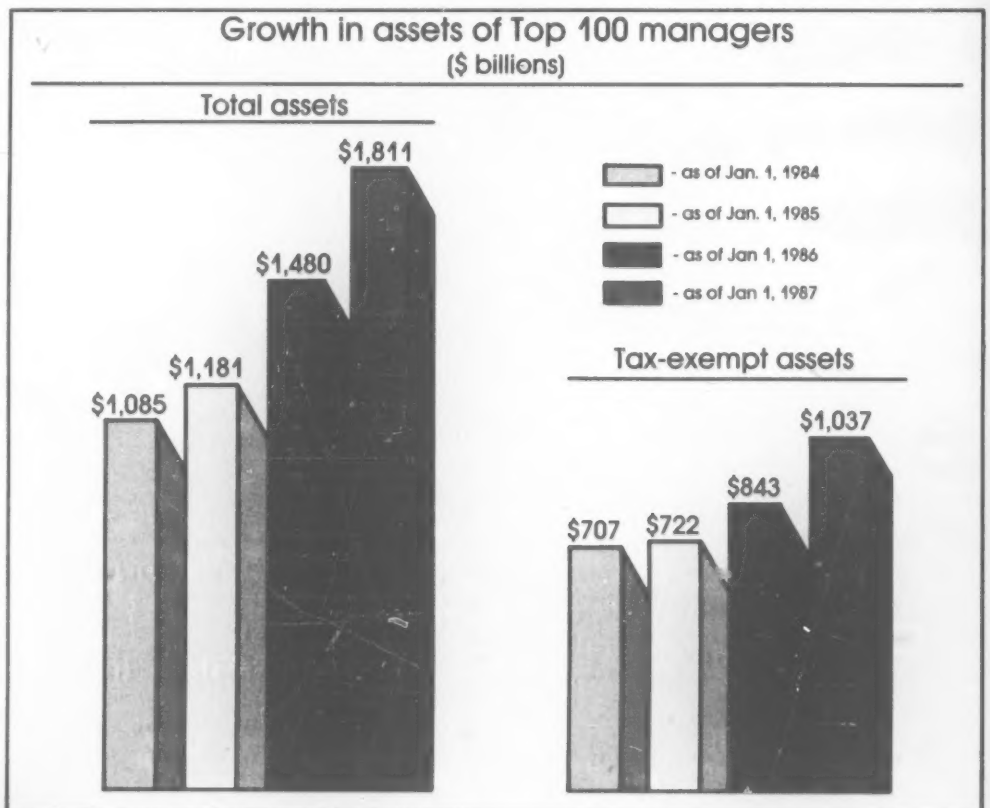
In the ranking of the top 100, subsidiaries of larger organizations were ranked separately if they submitted a separate profile. For example, Alliance Capital Management Inc., a subsidiary of Equitable Life Assurance Co., was ranked as a separate entity.

Of the 984 money managers, 646 are U.S. and foreign (excluding Canadian) investment advisers; 215 are U.S. banks, trust companies and their subsidiaries; 69 are U.S. insurance companies and their subsidiaries; and 54 are Canadian banks, insurers and independent money managers.

The top 25 independent investment advisers reported $215 billion in tax-exempt assets under management as of Jan. 1, an increase of 23.6% from last year's $174 billion.

The five largest independent

*Continued on page 140*



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Pensions & Investment Age


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# Specialized products return banks to No. 1

By Chuck Paustian

After slipping to second place a year ago, banks, trust companies and their subsidiaries regained the largest share of tax-exempt assets among the Top 100 firms in *Pensions & Investment Age*'s directory of investment managers.

Banks and trust companies also reaffirmed themselves as the dominant group managing tax-exempt assets among the top 200 firms and overall.

"Maybe the worst is over for the banks. They suffered some hemorrhaging in the '70s," said Ronald A. Jones, a partner at Hewitt Associates, Lincolnshire, Ill.

Development of specialized investment products and revitalized working conditions have spurred banks and trust companies in their climb back to the top, other industry observers said (*see accompanying story on this page*).

According to data collected for *P&I Age*'s 14th annual directory, banks, trust companies and their subsidiaries managed $425.17 billion as of Jan. 1, or 41%, of the $1.037 trillion in tax-exempt assets run by the 100 largest firms. The previous year, banks, trust companies and their units had a 36% share of the assets among the top 100 firms ranked by tax-exempt assets.

Insurance companies and their subsidiaries placed second among the top 100 firms, with $373.32 billion, or 36%, of the tax-exempt assets as of Jan. 1, down from 38% — and first place — a year earlier.

Independent management firms again finished third, with $238.51 billion, or 23%, down from 26% in 1986.

Subsidiaries of banks and trust companies, as well as units of insurance companies, are included in the respective overall categories, accounting for some of the market share lost by the independent management firms.

*P&I Age* began including the subsidiaries' assets in the broader category for banks and trust companies in 1984 and for insurance companies in 1985.

One factor influencing the comeback of banks and trust companies is the success of many of their investment products, such as index funds and dedicated or immunized bond portfolios.

"Some of them have been innovative in developing products they can sell effectively and manage effectively," said Hewitt's Mr. Jones.

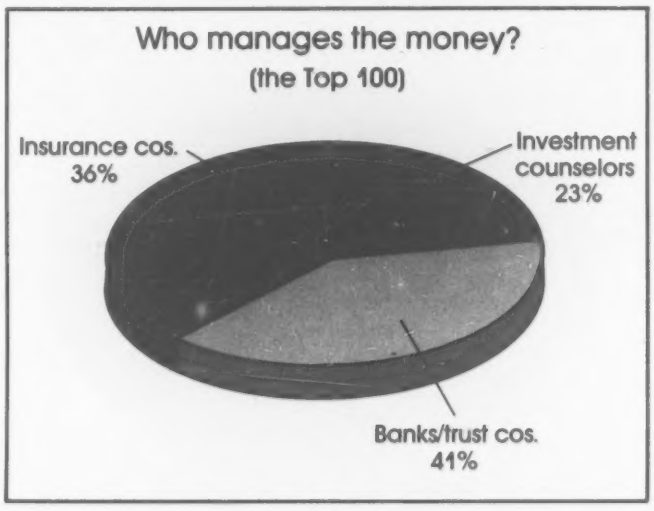
"The growth of the index funds is a big one," said Ronald D. Peyton, president of Callan Associates Inc., San Francisco. "Combine that with the fact that index funds have tended to outperform active managers," and that accounts for much of the shift in tax-exempt assets, he said.

Howard H. Pohl, a principal of Becker, Burke Associates Inc., Chicago, noted that while insurance companies also offer various passive products, the asset levels in such products as guaranteed investment contracts don't rise in value like the assets in index funds.

"A lot of the insurance company assets are in GICs and other kinds of contracts, which are not marked to market," but rather carried at book value, Mr. Pohl said.

The other reason for the resurgence among banks and trust companies is the reorganization of trust departments to resemble the structure and atmosphere of independent management firms.

Mr. Peyton added the new environment at the banks, trust companies and their subsidiaries has led to improved performance. He said with performance figures the same, or better, than their competitors, banks can capitalize on existing business relationships with companies.




The banks, trust companies and their subsidiaries also captured the largest share of the tax-exempt market among the top 200 firms and among all managers profiled by *P&I Age*.

Of the $1.273 trillion in tax-exempt assets managed by the 200 largest firms as of Jan. 1, banks, trust companies and their subsidiaries ran $521.93 billion, or 41%, up from the 38% in 1986.

Insurance companies and their units ran $394.63 billion in tax-exempt assets as of Jan. 1 for a market share of 31%, down from 32% the previous year. Independent counselors had $356.44 billion, or 28%, down from the 30% market share they had in 1986.

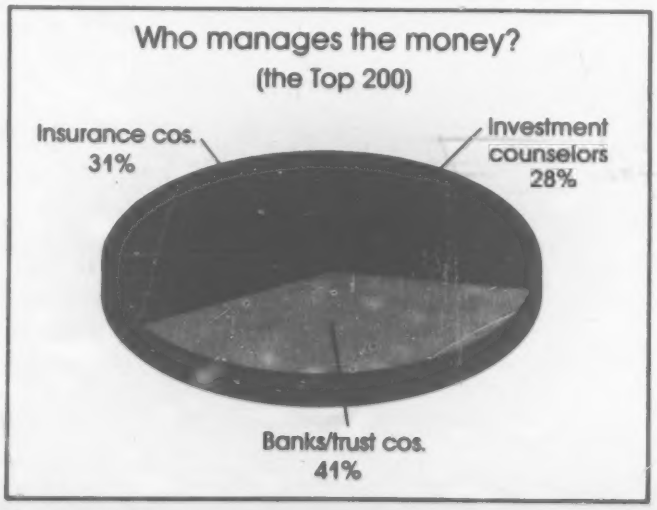
Among the total universe of 930 management firms profiled, banks, trust companies and their subsidiaries ran $574.13 billion, or 37.9%, of the total $1.516 trillion in tax-exempt assets as of Jan. 1. In 1986, banks, trust companies and their units also had a 37% share of the market.

Independent investment firms placed second in the overall category, with $525.74 billion in tax-exempt assets, or 34.7% of the market, up from a 33% market share in 1986. Insurers and their units ran $416.26 billion in tax-exempt assets for a 27.4% share of the market as of Jan. 1, down from 30% the previous year.

In the category for banks, trust companies and their subsidiaries, the five top firms, ranked by tax-exempt assets, were: Wells Fargo & Co., San Francisco, with $53.91 billion in tax-exempt assets; J.P. Morgan Investment Management Inc., New York, with $48.17 billion; Bankers Trust Co. — Investment Management Group, New York, $46.9 billion; State Street Bank & Trust Co., Boston, $23.57 billion; and Citicorp Investment Management Inc., New York, $18.61 billion.

Among insurance companies and their subsidiaries, the top five firms were: Prudential Insurance Co., Newark, N.J., with about $76.25 billion in tax-exempt assets; Metropolitan Life Insurance Co., New York, $51.53 billion; Aetna Life & Casualty Co., Hartford, Conn., $38.88 billion; Equitable Life Assurance Co., New York, $37.46 billion; and The New England, $26.11 billion.

Among the independent managers, the top five firms were: Miller, Anderson and Sherrerd, Bala Cynwyd, Pa., $11.5 billion; Lehman Management Co. Inc., New York, $11.47 billion; Scudder, Stevens & Clark, New York, $11.3 billion; Delaware Investment Advisers, Philadelphia, $11.1 billion; and The Boston Co. Inc., Boston, $10.36 billion. ■




# Competitive spirit reaping dividends

By Joel Chernoff

Banks are making a comeback.

Shunned after the 1973-'74 recession, bank trust executives since have tried to stem the disastrous loss of market share.

Many banks — especially the largest ones — spun off pieces of their trust departments into subsidiaries, enabling them to provide competitive compensation packages to attract and retain key personnel and to avoid the banks' bureaucratic structure.

Some created niches in specialized areas such as index funds, dynamic hedging and dedicated bond portfolios, areas where they have the deep pockets to support expensive computer hardware and software and where loss of key personnel would have less impact.

But all the news isn't good. Some key staffers still leave to get the equity ownership denied them in bank structures, and middle-tier banks still lag their money management counterparts in compensation by a large margin.

Even at the best banks, it's still hard to shed the bureaucratic ties. "It boils down to one thing: culture," said W. Denman Zirkle, managing director for marketing at Marinvest Inc., the money management arm of Marine Midland Banks, New York.

"I think it's slowly changing. I think most clients are willing to look at them, whereas 10 years ago they wouldn't have been willing," said Don Gingery, director of investment management research at William M. Mercer-Meidinger-Hansen Inc., Louisville, Ky.

"To shake that bank image is pretty tough," he added.

In the late 1960s and the early 1970s, the banks had it made. Corporate executives turned to their main lender to take management of their pension assets off their hands. Assets generally were managed in balanced accounts.

But the bear market of 1973-'74 and passage of the Employee Retirement Income Security Act of 1974 caused corporate executives to start rethinking pension investment strategies.

The banks were slow to respond. Ten years ago, the banks were "fat, dumb and happy," said James Knupp, principal in the consulting firm of Ennis, Knupp & Associates, Chicago.

Many of their best personnel, meanwhile, left to set up their own shops, taking valued accounts with them.

(According to annual surveys conducted by *Pensions & Investment Age*, the banks' market share among the 100 largest investment firms declined to 36% as of Jan. 1, 1986, from 47.6% eight years earlier. Last year, however, the market share rebounded to 41%, fueled by huge increases in indexed assets.)

It wasn't until the late 1970s that banks seriously started to try to reverse the trends. A key pace-setter was Chase Investors Management Corp., New York, which had been spun off from Chase Manhattan Bank in 1972. Chase created numerous specialized investment "shops within a shop" in the late

*Continued on page 138*

# Passive strategies losing their gleam

By John Covaleski

The percentage of externally managed tax-exempt assets invested through passive approaches has remained virtually unchanged during the past 12 months, providing additional evidence the passive management trend has peaked.

The amount of assets managed passively by managers grew by $86.9 billion to $412.4 billion as of Jan. 1. This represented 27.2% of the $1.516 trillion in total tax-exempt assets under management by the 930 managers, excluding Canadian firms, profiled in this issue.

Last year, the 806 managers profiled in *Pensions & Investment Age* reported $325.5 billion, or 26.8%, of the $1.216 trillion in tax-exempt assets they managed were in passive vehicles as of Jan. 1, 1986.

Of the $412.4 billion in passive assets, insurers managed 62.4%; banks, 28.7%; and independent counselors, 8.9%.

Most of the passive assets are managed by the 200 largest investment management firms. The 0.4 percentage point increase in the amount of assets invested passively apparently reflects the fact the new managers profiled this year had little or no passive assets.

The 1987 total includes $127.76 billion, or 8.4%, of total tax-exempt assets, managed in bond and equity indexes. Bond and equity indexes in the Jan. 1, 1986 data were $79.5 billion, or 6.5%, of total assets at that time.

In the current survey, equity index managers reported managing $102.6 billion, fixed-income index managers reported $25.2 billion, and dedicated and immunized bond portfolio managers reported $39.4 billion. The figures include assets managed by banks, insurance companies and investment counseling firms.

Wells Fargo Investment Advisors, San Francisco, had the largest amounts of indexed assets — $40.5 billion as of Jan. 1 — up from $25.2 billion a year earlier.

Of the $40.5 billion, $34.3 billion was in equity index funds. Wells Fargo took on 57 new indexed clients in 1986.

Bankers Trust Co., New York, ranked second among index fund managers with $21.7 billion as of Jan. 1, up from $19.2 billion a year ago. Of the $21.7 billion, $19.5 billion was in equity index funds.

Wells Fargo managed the largest amount of indexed bond funds, $6.2 billion, followed by Mellon Bond Associates, $4 billion.

Five of the top 10 equity index fund managers and five of the top

*Continued on page 136*

# Consultant pools showing steady growth in assets

By Marcia Parker

Consultant and money management firms that also act as managers of managers for small pension funds have seen a slow but steady growth in assets under management since their inception.

Since the concept was introduced in 1980 to help small funds tap top money management capabilities, the six firms known to offer the service have amassed more than $7 billion in assets.

When three consulting firms (Frank Russell Co., Tacoma, Wash.; Rogers, Casey & Barksdale Inc., Stamford, Conn.; and Evaluation Associates Inc., Westport, Conn.) pioneered the concept in the early 1980s, small pension plans didn't have access to successful large money management firms with huge minimum investment requirements.

Then, as now, small funds didn't have the in-house staff to monitor a host of managers, keep up with the growing number of asset classes and handle the administrative burden.

To solve those problems, Russell, RCB and EAI developed some pooled asset vehicles that allowed smaller plans to band together to form a large asset base. The firms are responsible for hiring, firing and monitoring the large money managers with diverse investment styles selected to run each vehicle. Fee structures vary from firm to firm.

While Russell, RCB and EAI still dominate the field and have been the most successful in marketing the service, a few small firms have joined the pack.

Russell and RCB increasingly are attracting large pension funds, which are using the manager-of-manager approach to make specialty investments. The smaller firms still are targeting small pension funds.

Together the three big firms have more than $6.8 billion under management for mostly discretionary clients. They offer a broad array of manager-of-manager funds, including international, special equity, fixed income and alternative investments such as timber and arbitrage.

Among the smaller firms that offer manager-of-manager services are Berg Fiduciary Associates, Port Chester, N.Y.; Collins Associates, Newport Beach, Calif.; and Abel/Noser Corp., New York. They have about 12 discretionary clients and manage about $235 million.

As a rule, they do not offer their own captive pooled investment vehicles to their clients.

According to consultants that monitor manager-of-managers services, such services can be costly and difficult to evaluate. In addition, conflicts of interest can emerge.

Potential conflicts, for example, involve the consultant or investment management firm collecting two fees — as consultant and manager; structuring the manager-of-manager funds in which it will invest client assets; and in the hiring of managers with which the firms might have long-standing relationships.

As a result, said Paul Erlendson, investment consultant, Callan Associates Inc., San Francisco, small pension funds should make sure costs are reasonable because that will affect the performance of the manager-of-managers fund and should address potential conflicts of interest ahead of time.

Despite the caveats, Dave A. Benson, manager of investments at Texasgulf Inc., Stamford, Conn., said he believes the positives outweigh the negatives.

"Even though you're one step removed from the investment process and there's another layer of expense, you get the benefit of having some knowledgeable firm do the work while you're trying to juggle so many things. There is a cost benefit in that."

Texasgulf has about 10% of its $215 million in pension assets invested in RCB's manager of manager international equity and fixed-income funds.

"It makes sense for a small fund like ours that wants the diversity and the expertise," Mr. Benson said.

"On the international side, we wanted the same kind of diversification of investment styles that we had in our domestic investments, but we didn't have enough funds to give to individual managers. The approach will continue to play an important role as an alternative for funds of our size."

Of the big three, Russell manages just more than $5 billion in tax-exempt assets for about 150 clients. That figure includes $2 billion in separate manager-of-manager accounts for two large clients — the United Air Lines Pilot Variable Plan, Chicago, and the Idaho Public Employees Retirement System, Boise.

Most of its clients hire Russell on a discretionary basis.

"We find our performance is consistently above average. We're not knocking our socks off. But we don't want to be there anyway because that would imply a greater degree of risk than we are comfortable with," said Paul Kaltinick, president of the trust department of Frank Russell Trust Co.

Among Russell's clients are Chesebrough-Pond's Inc., Westport, Conn.; A.B. Dick Co., Chicago; and the Town of Greenwich (Conn.) Retirement System.

RCB, which manages about $3.3 billion in tax-exempt assets for manager-of-manager clients, offers nine different categories of investment programs, ranging from core equity to real estate and international (which includes five different subgroups).

"Our focus has really been in dealing with niche areas," said Edgar Barksdale, principal. He declined to name clients.

After three years, EAI has about 20 pension clients and $500 million under management, and offers 11 manager-of-manager funds including a timber fund and an arbitrage fund.

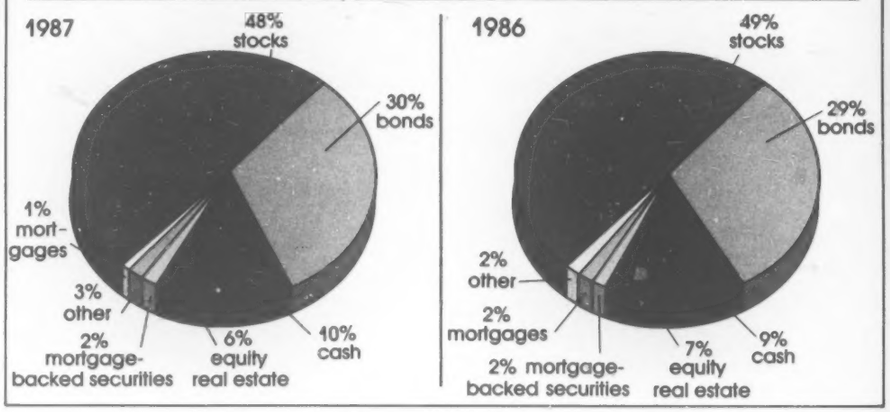
All of EAI's clients have retained the firm on a discretionary basis. Usually clients start by investing in commingled funds and some move to separate accounts. He declined to identify his clients.

"By no means is the business a landslide. What you have is a sophisticated pension fund sponsor who has taken the multiple manager philosophy to the point of maximum efficiency," said Bill Crerend, EAI chairman.

"He buys multiple managers. It enables someone who is comple-

*Continued on page 138*

## Top 200 money managers' average asset mix



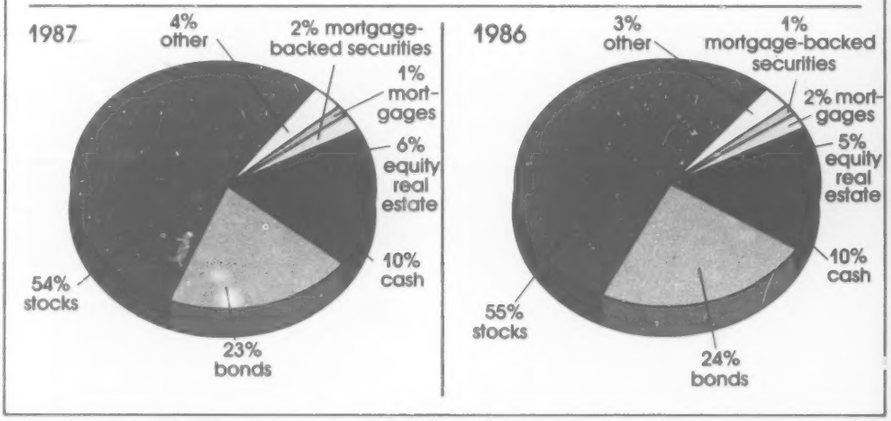

## Tax-exempt asset mix (by adviser)

| | Banks | Insurance companies | Investment counselors |
|---|---|---|---|
| Stocks | 45% | 52% | 57% |
| Bonds | 34 | 22 | 20 |
| Cash | 11 | 11 | 10 |
| Equity real estate | 4 | 7 | 6 |
| Mortgages | 1 | 3 | 1 |
| Mtg.-backed securities | 2 | 1 | 2 |
| Other | 3 | 4 | 4 |

## Canadian asset mix

| | |
|---|---|
| Canadian equities | 36% |
| Bonds | 36 |
| Cash | 8 |
| Equity real estate | 4 |
| Mortgages | 3 |
| U.S. equities | 8 |
| Other | 5 |

## Overall asset mix




# RCB fund adds indexing

By John Covaleski

STAMFORD, Conn. — Rogers, Casey & Barksdale Inc. has added an index component to a multimanager commingled fund, which two clients say has produced lackluster returns.

RCB tapped Wells Fargo Investment Advisors, San Francisco, to manage a specialized indexed equity product in its Fund for Employee Benefit Trusts. The fund has about $237 million in assets from 10 pension funds, most of which have less than $100 million in assets.

Wells Fargo was allocated an estimated $19.75 million, or 8% of the fund's assets.

Darrell Hartline, senior vice president-finance with Genesee Hospital, Rochester, N.Y., said he's pleased with the addition of the indexed component after having been less than pleased with returns from the RCB fund. All of the hospital's $28 million in pension assets are invested in the RCB fund.

Mr. Hartline said he expects the fund's performance to improve with the indexed component, noting index funds generally have outperformed active management. He declined to release specifics, but said RCB's returns haven't been "as high as we would have liked to have seen."

A spokesman for the $64 million Bausch & Lomb Inc. pension fund, also in Rochester, reported a 10% return for the year ended Dec. 31 from its $35 million investment in equity components of the RCB fund. The Standard & Poor's 500 stock index returned 18.7% for the same period.

The returns could be misleading, however, because Bausch & Lomb used RCB as a consultant in all of 1986 and had money in separately managed accounts until the RCB fund began operating in March 1986. The Bausch & Lomb spokesman declined further comment.

Edgar W. Barksdale, treasurer of RCB, said Wells Fargo was added to enhance the investing strategy of the multimanager fund and to further diversify it. He said the move was not prompted by low returns, but acknowledged returns may improve.

"If you look at the last five years, indexes have outperformed active managers," Mr. Barksdale said.

Mr. Barksdale also said he doubts the returns reported by Bausch & Lomb were correct. But he declined to disclose return figures, explaining the fund is too new for returns to provide a true representation.

Wells Fargo was added to the fund along with a new equity manager after three managers were terminated because of poor returns.

The fund now has 14 managers investing in equity, fixed-income

*Continued on page 138*

# 11 dropped from top 100

By Marlene Givant

Eleven investment advisers dropped off *Pensions & Investment Age*'s list of the 100 largest managers of tax-exempt assets.

Only a few lost their positions because their tax-exempt assets under management decreased. Indeed, most of the managers dropped from the top 100 showed an increase in assets, but not enough to keep pace with other, faster-growing firms.

Among those losing tax-exempt assets is BA Investment Management, San Francisco, which had $3.245 billion as of Jan. 1, compared with $4.342 billion a year earlier. BA's asset drop was due solely to losing one large client officials wouldn't identify.

Investment performance has made up a part of the difference, according to Richard Frodsham, senior vice president. The firm ranks 105 in *P&I Age*'s 1987 listings compared with 69 a year ago.

United Capital Management, Denver, dropped to 145 from 93 because it lost three clients for a total of $500 million, said Denise Bryant, vice president-marketing. The firm had $2.35 billion as of Jan. 1 vs. $2.93 billion in 1985.

United Capital's performance on tax-exempt accounts was 2.73% for the year ended Dec. 31, vs. 18.7% for the Standard & Poor's 500 stock index. Its preliminary first-quarter 1987 return was 26.8% vs. 21.3% for the S&P 500, Ms. Bryant said.

"We invest heavily in low-priced, cheap stocks of basic industries and capital goods industries," she explained. Those industries first suffered from the recession in the early 1980s and then were hit by the impact of the strong dollar, she said. "As the dollar weakens, we're beginning to see those stocks perform."

National City Bank, Cleveland, dropped to $2.73 billion as of Jan. 1 from $2.8 billion a year earlier. The firm's rank this year is 128 vs. 100 last year.

Tax-exempt assets managed by Gardner & Preston Moss, Boston, declined by only $100 million (to $2.79 billion) during the year ended Jan. 1, yet the firm slipped to 127 from 97 in the rankings. Performance and new business almost offset the January 1986 loss of a $500 million balanced account with the Arizona State Retirement System, Phoenix, according to Sue Ellen Whelan, manager of marketing administration for the firm.

Tax-exempt assets of IDS Equity/Fixed-Income Advisors, Minneapolis, grew by $375 million to $3.21 billion, yet it slipped to 106 from 98; and Nationwide Insurance Cos., Columbus, Ohio, added $190 million for a total of $3.309 billion but slipped to 102 from 86.

Continental Assurance Co., Chicago, experienced small growth in its tax-exempt assets because it manages mostly guaranteed insurance contracts, which are valued at book. It also runs some equity accounts.

Continental's ranking fell to 102 from 96 a year earlier. The firm managed $3.28 billion in tax-exempt assets as of Jan. 1, vs. $2.9 billion a year earlier.

"Our growth isn't as accelerated because it's more structured," said Ted Czupek, manager of pension investment marketing.

Tax-exempt assets of Lord, Abbett & Co., New York, an equity and fixed-income manager, increased to $3.21 billion from $3.18 billion in 1985, but the firm's rank dropped to 107 from 85.

Some officials said the figures their firms provided last year were incorrect, rendering inaccurate the year-to-year comparison of assets.

The Vanguard Group of Investment Cos. Inc., Valley Forge, Pa., plunged to 241 from 71 because the tax-exempt figure the firm provided in 1985 — $3.89 billion — was incorrect, according to Ron L. Cannon, vice president-institutional marketing.

Mr. Cannon said Vanguard, a family of mutual funds, gained $1.5 billion in tax-exempt assets this year, most of which are managed by Vanguard's outside advisers. Tax-exempt assets internally managed by Vanguard in 1986 totaled $1.2 billion.

At Bank One, Indianapolis, formerly American Fletcher National Bank, Leif E. Nulsen, senior vice president and chief investment officer, said the bank did not lose tax-exempt assets in 1986.

The $3.74 billion tax-exempt figure the firm furnished last year was incorrect, he said. "We must have included some corporate cash in 1985 that isn't tax exempt." As of Jan. 1, the bank had $3.2 billion in tax-exempt assets.

Mercantile Trust Co., St. Louis, 99 last year with $2.8 billion in tax-exempt assets, dropped out of the top 100 and out of *P&I Age*'s directory because its parent company, Mercantile Bank Corp., spun off $2.72 billion in institutional assets to form Mississippi Valley Advisors. ■

# N.Y. private firms pay execs the most

Senior investment executives in private investment firms in New York and surrounding areas receive higher levels of compensation than their counterparts in banks or investment firms in other areas.

The results of the 1986 Callan Investments Institute investment management compensation survey showed the mean base salary of chief executive officers/managing partners in New York investment counseling firms is $197,900 per year.

Since most firms also provide a bonus, based on profitability or performance, the mean base salary and bonus total $341,200 for the chief executive officers of New York investment counselors.

By comparison, chief executives of investment firms in the Northeast (excluding New York), Midwest, Southwest and West Coast have a mean salary plus bonus of $228,200, $275,200, $300,000 and $159,700, respectively.

Senior investment committee members also are more handsomely compensated in the New York area. Senior investment committee members have a mean annual salary of $147,000 in New York and a mean base salary plus bonus of $219,200. Senior investment committee members have mean salary plus bonus in the Northeast, Midwest, Southwest and West Coast of $174,100, $166,300, $160,000 and $138,700, respectively.

According to the survey, which included data from 69 firms, investment management industry executive annual compensation growth has "greatly exceeded" other industries and has more than kept pace with inflation.

According to Callan, median pay in the investment business increased by 22% compared with 6% in other industries. Investment management compensation is projected to increase by another 17% in 1987 compared with an expected average increase of 5% in other industries.

"As in all surveys, certain firms decline to participate," said the survey text. "It appears the larger and more successful the firm, the more likely the maintenance of confidential salary policies.

"Other reasons for declining survey participation include transition from partnership to corporate form, incomparable positions, and desire to avoid publicity of high salaries so as not to incite jealousy and intensify their focus on fees. These phenomena suggest our survey may understate salaries, particularly for senior executives."

Other survey findings include:

- Firms spend an average of 47% of their revenue for base

*Continued on page 140*

# Top 100 advisers by total assets ($ mil.)

| | | |
|---|---|---|
| 1. Metropolitan Life | 81,581 | |
| 2. Aetna Life | 60,226 | |
| 3. Fidelity Mgmt. | 58,000 | |
| 4. Prudential Asset Mgmt. | 54,106 | |
| 5. Wells Fargo Investment | 53,571 | |
| 6. Travelers Cos. | 51,899 | |
| 7. J.P. Morgan | 49,703 | |
| 8. Bankers Trust-Investment | 48,200 | |
| 9. CIGNA Asset Advisers | 44,100 | |
| 10. Kemper Financial Services | 39,346 | |
| 11. John Hancock Financial | 36,884 | |
| 12. Scudder, Stevens & Clark | 36,079 | |
| 13. Putnam Cos. | 32,451 | |
| 14. Alliance Capital Mgmt. | 31,139 | |
| 15. Equitable Real Estate | 29,355 | |
| 16. Equitable Capital Mgmt. | 29,069 | |
| 17. New York Life | 29,035 | |
| 18. Wellington Mgmt. | 28,976 | |
| 19. Citicorp Investment | 26,600 | |
| 20. State Street Bank | 26,473 | |
| 21. Townsend Asset Mgmt. | 25,043 | |
| 22. Vanguard Group | 25,000 | |
| 23. Northern Trust | 20,726 | |
| 24. MHIC | 20,655 | |
| 25. T. Rowe Price | 20,200 | |
| 26. Loomis, Sayles | 20,168 | |
| 27. Jennison Capital Associates | 20,000 | |
| 28. Smith Breeden | 20,000 | |
| 29. MONY | 18,100 | |
| 30. Mass Mutual Life | 18,000 | |
| 31. Mitchell Hutchins | 17,932 | |
| 32. Wilmington Trust | 17,849 | |
| 33. Chase Investors | 17,300 | |
| 34. American Capital Mgmt. | 17,047 | |
| 35. The Principal | 16,994 | |
| 36. Boston Co. | 16,609 | |
| 37. Lehman Mgmt. | 16,077 | |
| 38. Capital Research & Mgmt. | 15,614 | |
| 39. JMB Institutional Realty | 15,300 | |
| 40. Mellon Capital Mgmt. | 15,000 | |
| 41. Mellon Bond Associates | 14,855 | |
| 42. Massachusetts Financial | 14,669 | |
| 43. Capital Guardian Trust | 14,483 | |
| 44. Fiduciary Trust | 14,013 | |
| 45. U.S. Trust Co., N.Y. | 13,561 | |
| 46. The New England | 13,504 | |
| 47. Harris Trust & Savings Bank | 13,117 | |
| 48. State Street Research | 12,991 | |
| 49. Criterion Group | 12,704 | |
| 50. Daiwa International Capital | 12,500 | |
| 51. Bernstein-Macaulay | 12,375 | |
| 52. Pacific Investment Mgmt. | 12,349 | |
| 53. Bank of New York | 12,287 | |
| 54. County Investment Mgmt. | 12,081 | |
| 55. Brown Brothers Harriman | 11,657 | |
| 56. Neuberger and Berman | 11,547 | |
| 57. Miller, Anderson and Sherrerd | 11,500 | |
| 58. Delaware Investment Advisers | 11,400 | |
| 59. AmeriTrust | 11,177 | |
| 60. American National, Chicago | 11,025 | |
| 61. Stein Roe & Farnham | 10,800 | |
| 62. Trust Co. of the West | 10,735 | |
| 63. BA Investment Mgmt. | 10,690 | |
| 64. Fayez Sarofim | 10,688 | |
| 65. Transamerica Investment | 10,406 | |
| 66. Morgan Stanley Asset Mgmt. | 10,281 | |
| 67. Oppenheimer Capital | 10,241 | |
| 68. INVESCO Capital Mgmt. | 10,091 | |
| 69. Henderson International | 10,000 | |
| 70. Fischer, Francis, Trees & Watts | 9,900 | |
| 71. Centerre Trust | 9,632 | |
| 72. Templeton International | 9,600 | |
| 73. Batterymarch Financial | 9,234 | |
| 74. Connecticut Mutual Life | 9,142 | |
| 75. First Chicago Investment Advisors | 9,013 | |
| 76. National Bank of Detroit | 9,000 | |
| 77. RCM Capital Mgmt. | 8,991 | |
| 78. Irving Trust | 8,600 | |
| 79. Lord, Abbett | 8,596 | |
| 80. RepublicBank Dallas | 8,544 | |
| 81. Sanford C. Bernstein | 8,500 | |
| 82. AIM Mgmt. | 8,268 | |
| 83. First Wachovia | 8,000 | |
| 84. Lazard Freres | 7,996 | |
| 85. Manufacturers National Bank | 7,881 | |
| 86. Boatmen's National Bank | 7,464 | |
| 87. NCNB | 7,248 | |
| 88. Texas Commerce Bank | 7,198 | |
| 89. J&W Seligman | 7,102 | |
| 90. AIG Global | 7,000 | |
| 91. UNUM Life | 6,951 | |
| 92. National City Bank | 6,900 | |
| 93. Bank One, Indianapolis | 6,871 | |
| 94. Standish, Ayer & Wood | 6,859 | |
| 95. Copley Real Estate Advisors | 6,800 | |
| 96. Shearson Asset Mgmt. | 6,737 | |
| 97. BEA Associates | 6,485 | |
| 98. Nationwide Insurance | 6,443 | |
| 99. Fidelity Bank | 6,232 | |
| 100. Continental Assurance | 6,154 | |
| **Total** | **1,811,475** | |

# Managers ranked by tax-exempt assets

| Manager | As of Jan. 1 ($ millions) |
|---|---|
| 1. Prudential Asset Mgmt. | 54,106 |
| 2. Wells Fargo Investment | 53,237 |
| 3. J.P. Morgan | 48,173 |
| 4. Bankers Trust-Investment | 46,900 |
| 5. Metropolitan Life | 39,705 |
| 6. Aetna Life | 38,287 |
| 7. State Street Bank | 23,572 |
| 8. Alliance Capital Mgmt. | 23,362 |
| 9. Travelers Cos. | 22,067 |
| 10. CIGNA Asset Advisers | 20,795 |
| 11. Jennison Capital Associates | 20,000 |
| 12. Citicorp Investment | 18,608 |
| 13. MHIC | 17,713 |
| 14. Loomis, Sayles | 16,028 |
| 15. Chase Investors | 15,500 |
| 16. Mellon Capital Mgmt. | 15,000 |
| 17. John Hancock Financial | 14,825 |
| 18. Mellon Bond Associates | 14,579 |
| 19. Capital Guardian Trust | 14,408 |
| 20. Pacific Investment | 12,277 |
| 21. The Principal | 12,260 |
| 22. State Street Research | 11,827 |
| 23. Miller, Anderson and Sherrerd | 11,500 |
| 24. Lehman Mgmt. | 11,469 |
| 25. Fiduciary Trust | 11,445 |
| 26. Scudder, Stevens & Clark | 11,300 |
| 27. Delaware Investment | 11,103 |
| 28. New York Life | 10,648 |
| 29. Boston Co. | 10,355 |
| 30. Trust Co. of the West | 10,173 |
| 31. American Nat'l Bank, Chicago | 10,100 |
| 32. INVESCO Capital Mgmt. | 9,991 |
| 33. Oppenheimer Capital | 9,865 |
| 34. Fayez Sarofim | 9,222 |
| 35. Fischer, Francis, Trees & Watts | 9,100 |
| 36. Wellington Mgmt. | 9,076 |
| 37. T. Rowe Price | 9,051 |
| 38. First Chicago Investment | 9,013 |
| 39. Morgan Stanley Asset Mgmt. | 8,752 |
| 40. Harris Trust & Savings Bank | 8,463 |
| 41. Criterion Group | 8,198 |
| 42. Mass Mutual Life | 8,100 |
| 43. RCM Capital Mgmt. | 8,025 |
| 44. Equitable Capital Mgmt. | 7,847 |
| 45. Batterymarch Financial | 7,771 |
| 46. Northern Trust | 7,438 |
| 47. Sanford C. Bernstein | 7,300 |
| 48. Fidelity Mgmt. | 7,000 |
| 49. Lazard Freres | 6,910 |
| 50. MONY | 6,703 |
| 51. Brown Brothers Harriman | 6,572 |
| 52. BEA Associates | 6,193 |
| 53. Lincoln Capital Mgmt. | 5,996 |
| 54. AmeriTrust | 5,965 |
| 55. Equitable Real Estate | 5,805 |
| 56. Capital Supervisors | 5,786 |
| 57. RepublicBank Dallas | 5,719 |
| 58. Mutual Benefit Life | 5,673 |
| 59. Neuberger and Berman | 5,538 |
| 60. The New England | 5,385 |
| 61. Favia Hill & Associates | 5,313 |
| 62. Stein Roe & Farnham | 5,300 |
| 63. Putnam Cos. | 5,296 |
| 64. Fidelity Mgmt. Trust | 5,244 |
| 65. Jamison, Eaton & Wood | 5,053 |
| 66. Common Fund | 4,950 |
| 67. National Investment | 4,828 |
| 68. Boatmen's Nat'l Bank | 4,790 |
| 69. Barrow, Hanley, Mewhinney | 4,777 |
| 70. Copley Real Estate Advisors | 4,700 |
| 71. Transamerica Investment | 4,677 |
| 72. ASB Capital Mgmt. | 4,654 |
| 73. Security Pacific | 4,611 |
| 74. Lincoln Nat'l Pension | 4,600 |
| 75. Frank Russell Trust* | 4,484 |
| 76. Trusco Capital Mgmt. | 4,400 |
| 77. Centerre Trust | 4,365 |
| 78. Columbia Mgmt. | 4,347 |
| 79. MacKay-Shields Financial | 4,300 |
| 80. Forstmann-Leff Associates | 4,179 |
| 81. First Wachovia | 4,073 |
| 82. Duff & Phelps | 4,032 |
| 83. Investment Advisers | 4,000 |
| 84. Irving Trust | 4,000 |
| 85. McMorgan | 4,000 |
| 86. Nat'l Bank of Detroit | 4,000 |
| 87. Provident Nat'l Assurance | 3,949 |
| 88. Pacific Financial Cos. | 3,829 |
| 89. Pittsburgh Nat'l Bank | 3,725 |
| 90. Dodge & Cox | 3,690 |
| 91. Kemper Financial Services | 3,591 |
| 92. Bank of New York | 3,500 |
| 93. NCNB | 3,479 |
| 94. Kennedy Associates | 3,465 |
| 95. Provident Capital Mgmt. | 3,456 |
| 96. First Asset Mgmt. | 3,452 |
| 97. UNUM Life | 3,440 |
| 98. Dewey Square Investors | 3,400 |
| 99. Glenmede Trust | 3,400 |
| 100. Trinity Investment | 3,393 |
| 101. Dimensional Fund | 3,316 |
| 102. Nationwide Insurance | 3,309 |
| 103. Continental Assurance | 3,279 |
| 104. Standish, Ayer & Wood | 3,248 |
| 105. BA Investment | 3,245 |
| 106. IDS Equity/Fixed-Income | 3,210 |
| 107. Lord, Abbett | 3,210 |
| 108. Bank One, Indianapolis | 3,203 |
| 109. Fred Alger Mgmt. | 3,198 |
| 110. Mutual of America | 3,156 |
| 111. Wright Investors | 3,137 |
| 112. Indiana Investment Advisors | 3,124 |
| 113. Atalanta/Sosnoff Capital | 3,116 |
| 114. Capital Research & Mgmt. | 3,100 |
| 115. First Fidelity Bank | 3,100 |
| 116. American Capital Mgmt. | 3,068 |
| 117. Wilmington Trust | 3,065 |
| 118. Massachusetts Financial | 3,058 |
| 119. Heitman Advisory | 3,025 |
| 120. RREEF Funds | 3,017 |
| 121. Shields Asset Mgmt. | 3,005 |
| 122. Discount Corp. of N.Y. Advisers | 3,000 |
| 123. Merrill Lynch | 3,000 |
| 124. Connecticut Nat'l Bank | 2,994 |
| 125. Fidelity Bank | 2,837 |
| 126. Northern Trust/Strategic | 2,815 |
| 127. Gardner & Preston Moss | 2,785 |
| 128. Griffin Group | 2,748 |
| 129. Nat'l City Bank | 2,731 |
| 130. Western Asset Mgmt. | 2,729 |
| 131. Mississippi Valley Advisors | 2,720 |
| 132. Weiss, Peck & Greer | 2,704 |
| 133. Morgan Grenfell | 2,693 |
| 134. CMB Investment Counselors | 2,600 |
| 135. STW Fixed Income Mgmt. | 2,531 |
| 136. Denver Investment Advisors | 2,530 |
| 137. Comerica Bank-Detroit | 2,500 |
| 138. Hotchkis and Wiley | 2,500 |
| 139. Wilshire Asset Mgmt. | 2,500 |
| 140. Constitution Capital Mgmt. | 2,498 |
| 141. Hibernia Nat'l Bank | 2,400 |
| 142. First Union Nat'l Bank | 2,399 |
| 143. Templeton Int'l | 2,395 |
| 144. Mellon Equity Associates | 2,377 |
| 145. First Kentucky | 2,370 |
| 146. J&W Seligman | 2,357 |
| 147. United Capital Mgmt. | 2,345 |
| 148. Independence Investment | 2,323 |
| 149. AmSouth Bank | 2,308 |
| 150. M.D. Sass | 2,304 |
| 151. Hartford Life | 2,283 |
| 152. Texas Commerce Bank | 2,259 |
| 153. Todd Investment Advisors | 2,249 |
| 154. Connecticut Mutual Life | 2,232 |
| 155. Thompson, Siegel & Walmsley | 2,230 |
| 156. Capitoline Investment Services | 2,200 |
| 157. State Mutual | 2,200 |
| 158. Franklin Portfolio Associates | 2,134 |
| 159. U.S. Trust Co., N.Y. | 2,100 |
| 160. Cooke & Bieler | 2,078 |
| 161. Norwest Capital Resources | 2,039 |
| 162. BancOklahoma Trust | 2,024 |
| 163. Newbold's Asset Mgmt. | 2,009 |
| 164. Aldrich, Eastman & Waltch | 2,000 |
| 165. Amalgamated Bank | 2,000 |
| 166. Fidelity Int'l Investment | 2,000 |
| 167. PRIMCO Capital Mgmt. | 2,000 |
| 168. United Missouri Investment | 2,000 |
| 169. Provident Investment | 1,979 |
| 170. Continental Illinois Nat'l Bank | 1,946 |
| 171. Grantham, Mayo, Van Otterloo | 1,944 |
| 172. Balcor Institutional Realty | 1,935 |
| 173. Wentworth Hauser & Violich | 1,935 |
| 174. C&S Investment Advisors | 1,912 |
| 175. InterFirst Investment | 1,908 |
| 176. Corp. Property Investors | 1,900 |
| 177. Value Investors | 1,900 |
| 178. Concord Capital Mgmt. | 1,885 |
| 179. F.I.A. Associates | 1,838 |
| 180. Vaughan, Nelson | 1,815 |
| 181. Sit Investment Associates | 1,808 |
| 182. Bear Stearns Asset Mgmt. | 1,800 |
| 183. Rowe Price-Fleming Int'l | 1,790 |
| 184. Manning & Napier | 1,750 |
| 185. First Manhattan Capital Mgmt. | 1,729 |
| 186. First Wisconsin Trust | 1,725 |
| 187. First Interstate Bank Denver | 1,722 |
| 188. Dreman Value Mgmt. | 1,711 |
| 189. Dreyfus Mgmt. | 1,711 |
| 190. LaSalle Advisors | 1,710 |
| 191. PRIMECAP Mgmt. | 1,703 |
| 192. First Kentucky | 1,700 |
| 193. John W. Bristol | 1,700 |
| 194. Northwestern Nat'l Life | 1,700 |
| 195. Mercantile-Safe Deposit | 1,698 |
| 196. Strong/Corneliuson | 1,696 |
| 197. First Investment Mgmt. | 1,661 |
| 198. Manufacturers Nat'l Bank | 1,649 |
| 199. Olympic Capital Mgmt. | 1,640 |
| 200. Solomon Asset Mgmt. | 1,602 |
| 201. JMB Institutional Realty | 1,600 |
| 202. Fifth Third Bank | 1,588 |
| 203. General American Investors | 1,553 |
| 204. Phoenix Mutual Life | 1,551 |
| 205. Investment Counselors, Md. | 1,527 |
| 206. MTrust Corp | 1,500 |
| 207. McGlinn Capital Mgmt. | 1,500 |
| 208. Shearson Asset Mgmt. | 1,497 |
| 209. Siebel Capital Mgmt. | 1,480 |
| 210. Crown Life | 1,475 |
| 211. ABD Int'l Mgmt. | 1,467 |
| 212. First Pacific Advisors | 1,464 |
| 213. Barings America | 1,452 |
| 214. Geewax, Terker | 1,450 |
| 215. Eastdil Realty | 1,438 |
| 216. M&I Investment Mgmt. | 1,411 |
| 217. Wertheim Asset Mgmt. | 1,402 |
| 218. Hagler, Mastrovita & Hewitt | 1,400 |
| 219. Lowe, Brockenbrough | 1,396 |
| 220. Schroder Capital Int'l | 1,392 |
| 221. Brundage, Story and Rose | 1,377 |
| 222. Drexel Burnham Lambert | 1,374 |
| 223. Baring Int'l | 1,370 |
| 224. Townsend Asset Mgmt. | 1,369 |
| 225. Pacific Financial Research | 1,363 |
| 226. Society Nat'l Bank | 1,352 |
| 227. J.H. Ayres | 1,344 |
| 228. Union Labor Life | 1,329 |
| 229. Dillon, Read Capital | 1,325 |
| 230. Value Line | 1,325 |
| 231. McCowan Associates | 1,312 |
| 232. CTT Investment Mgmt. | 1,300 |
| 233. Glickenhaus | 1,300 |
| 234. Morley Capital Mgmt. | 1,300 |
| 235. Sovran Capital Mgmt. | 1,300 |
| 236. Smoot, Miller, Cheney | 1,295 |
| 237. Old Kent Bank | 1,266 |
| 238. Yeager, Wood & Marshall | 1,259 |
| 239. Atlanta Capital Mgmt. | 1,231 |
| 240. Mitchell Hutchins | 1,218 |
| 241. General American Life | 1,209 |
| 242. Beutel, Goodman Capital | 1,202 |
| 243. Luther King Capital | 1,200 |
| 244. Vanguard Group | 1,200 |
| 245. Analytic Investment Mgmt. | 1,187 |
| 246. United of Omaha | 1,180 |
| 247. Reich & Tang | 1,176 |
| 248. Hellman, Jordan Mgmt. | 1,158 |
| 249. Penn Mutual Life | 1,156 |
| 250. Harbor Capital Mgmt. | 1,151 |
| 251. Richard Ellis | 1,150 |
| 252. Robert C. Brown | 1,150 |
| 253. CoreStates Investment | 1,143 |
| 254. Eaton Vance Mgmt. | 1,143 |
| 255. First Tennessee Investment | 1,127 |
| 256. Warburg, Pincus | 1,122 |
| 257. Jundt/Capen | 1,120 |
| 258. Mellon Real Estate | 1,100 |
| 259. Merchants Nat'l Bank | 1,100 |
| 260. Sun Bank Investment | 1,100 |
| 261. Pilgrim Baxter Greig | 1,095 |
| 262. David J. Greene | 1,085 |
| 263. Rosenberg Institutional | 1,037 |
| 264. Rainier Nat'l Bank | 1,034 |
| 265. HT Investors | 1,027 |
| 266. Southwestern Life | 1,022 |
| 267. N.M. Rothschild Int'l | 1,020 |
| 268. First Interstate Bank/Oregon | 1,014 |
| 269. TSA Capital | 1,013 |
| 270. Institutional Capital | 1,009 |
| 271. Stacey Braun Associates | 1,003 |
| 272. Lee, Robinson | 1,000 |
| 273. One Federal Asset Mgmt. | 1,000 |
| 274. Reams Asset Mgmt. | 992 |
| 275. First Nat'l Bank Tulsa | 974 |
| 276. Wall, Patterson, Hamilton | 958 |
| 277. Investment and Capital Mgmt. | 941 |
| 278. MSecurities | 939 |
| 279. Norstar Investment | 937 |
| 280. Norstar Trust | 934 |
| 281. Centre Square Investment | 928 |
| 282. Marinvest | 923 |
| 283. Cashman, Farrell | 920 |
| 284. Wilmington Capital Mgmt. | 906 |
| 285. Investors Research | 904 |
| 286. Jones Lang Wootton | 900 |
| 287. Security Capital Real Estate | 898 |
| 288. Warburg Investment Mgmt. | 887 |
| 289. William Blair | 885 |
| 290. Ruane, Cunniff | 867 |
| 291. Waddell & Reed | 864 |
| 292. Donald Smith | 839 |
| 293. Management Asset | 833 |
| 294. Tenneco | 832 |
| 295. Campbell Advisors | 815 |
| 296. Marine Investment Mgmt. | 813 |
| 297. Toledo Trust | 812 |
| 298. Merganser Capital | 803 |
| 299. ABN/LaSalle | 800 |
| 300. Hawaiian Trust | 800 |
| 301. Riggs National Bank | 800 |
| 302. Renaissance Investment Mgmt. | 796 |
| 303. L.J. Melody | 795 |
| 304. Brignoli Curley & Roberts | 783 |
| 305. Frontier Capital Mgmt. | 776 |
| 306. Coldwell Banker | 775 |
| 307. RNC Capital Mgmt. | 770 |
| 308. Alex. Brown Real Estate | 768 |
| 309. BA Investment Mgmt. Int'l | 766 |
| 310. Reimer and Koger | 764 |
| 311. Nicholas-Applegate | 762 |
| 312. DAK Capital | 750 |
| 313. Pioneering Mgmt. | 750 |
| 314. Wolf, Webb, Burk & Campbell | 750 |
| 315. First Wisconsin Nat'l | 746 |
| 316. Nomura Capital Mgmt. | 718 |
| 317. Lieber | 717 |
| 318. Bernstein-Macaulay | 715 |
| 319. Allstate Life | 705 |
| 320. Babson United | 700 |
| 321. David L. Babson | 700 |
| 322. Hahn, Holland & Grossman | 700 |
| 323. Citizens Fidelity Bank | 690 |
| 324. Securities Counsel | 687 |
| 325. IDS Trust | 674 |
| 326. NWQ Investment Mgmt. | 671 |
| 327. Lehndorff & Babson | 670 |
| 328. Wells Fargo Realty | 668 |
| 329. Home Life | 664 |
| 330. BBL Capital Mgmt. | 663 |
| 331. Life Insurance Co. of Va. | 663 |
| 332. Bessemer Trust | 661 |

* Manager of managers

# Managers ranked by tax-exempt assets

| Manager | As of Jan. 1 ($ millions) |
|---|---|
| 333. First Interstate Bank, Calif. | 652 |
| 334. G.T. Capital Mgmt. | 650 |
| 335. Lexington Mgmt. | 650 |
| 336. Provident Mutual Life | 650 |
| 337. Trident Investment | 650 |
| 338. Skye Investment Advisers | 647 |
| 339. Sterling Capital Mgmt. | 640 |
| 340. Anhalt/O'Connell | 638 |
| 341. Meridian Investment | 623 |
| 342. Eagle Mgmt. & Trust | 620 |
| 343. J.W. O'Connor | 620 |
| 344. Qualivest Capital Mgmt. | 620 |
| 345. Huntington Asset Mgmt. | 618 |
| 346. Beacon Capital Mgmt. | 615 |
| 347. Mellon-Pictet | 609 |
| 348. Lomas & Nettleton Advisory | 602 |
| 349. Avatar Associates | 600 |
| 350. MPT Associates | 600 |
| 351. Texas American Investment | 600 |
| 352. Premier Investment Advisors | 584 |
| 353. George D. Bjurman | 581 |
| 354. Karsten Realty Advisors | 576 |
| 355. Signet Trust | 575 |
| 356. W.H. Reaves | 574 |
| 357. Peters, Gamm & West | 571 |
| 358. Matrix Capital | 570 |
| 359. PCM Int'l | 570 |
| 360. Third Nat'l Bank, Nashville | 570 |
| 361. Capital Consultants | 564 |
| 362. Valley Nat'l Bank | 563 |
| 363. Retirement System Savings | 555 |
| 364. Minton/Newbold's | 554 |
| 365. Bank of California | 550 |
| 366. Daiwa Int'l Capital Mgmt. | 550 |
| 367. Roanoke Asset Mgmt. | 550 |
| 368. Unity Mgmt. | 550 |
| 369. First Interstate Bank, Wash. | 546 |
| 370. Daniel Breen | 543 |
| 371. McConnell & Miller | 542 |
| 372. Hoisington Investment Mgmt. | 540 |
| 373. Property Capital Associates | 535 |
| 374. Lynch & Mayer | 534 |
| 375. U.S. Trust, Boston | 533 |
| 376. McCullough, Andrews | 525 |
| 377. Confederation Life | 524 |
| 378. Alex. Brown Investment | 521 |
| 379. Peregrine Capital | 516 |
| 380. Weaver C. Barksdale | 514 |
| 381. SAFECO | 508 |
| 382. Capital Advisors | 500 |
| 383. Continental Investment | 500 |
| 384. Estabrook Capital Mgmt. | 500 |
| 385. Johnstown Institutional | 500 |
| 386. Ward & Wissner | 500 |
| 387. Sovran Bank | 498 |
| 388. Tom Johnson Investment | 498 |
| 389. Waite & Correnti | 495 |
| 390. Rice, Hall, James | 490 |
| 391. Froley, Revy Investment | 483 |
| 392. Hanson Investment Mgmt. | 479 |
| 393. Federated Investment | 477 |
| 394. Bank One Dayton | 475 |
| 395. Columbus Circle Investors | 470 |
| 396. Wilkens & Nanovic | 466 |
| 397. Investment Counsel | 455 |
| 398. Rothschild Asset Mgmt. | 452 |
| 399. Eagle Asset Mgmt. | 451 |
| 400. Argus Investors' Counsel | 450 |
| 401. Bartlett | 450 |
| 402. Public Storage | 450 |
| 403. Ferguson & Wellman | 448 |
| 404. Wood, Struthers & Winthrop | 445 |
| 405. Maine Nat'l Bank | 443 |
| 406. Sirach/Flynn, Elvins | 443 |
| 407. Dean Investment Associates | 439 |
| 408. Axe-Houghton Mgmt. | 433 |
| 409. Fiduciary Mgmt. Associates | 433 |
| 410. First Nat'l Bank, Cincinnati | 432 |
| 411. Haven Capital Mgmt. | 431 |
| 412. Ashland Mgmt. | 430 |
| 413. Van Deventer & Hoch | 430 |
| 414. SCNC Advisory | 428 |
| 415. Shawmut Banks | 426 |
| 416. Cutler | 425 |
| 417. First Nat'l Bank of Omaha | 425 |
| 418. Mortgage Investors | 421 |
| 419. Hill Samuel Investment | 420 |
| 420. Rothschild | 420 |
| 421. AFA Financial | 410 |
| 422. Gofen & Glossberg | 410 |
| 423. Key Trust | 410 |
| 424. Am Cal | 406 |
| 425. Delafield Asset Mgmt. | 406 |
| 426. Chicago Corp. | 400 |
| 427. First Maryland Asset Mgmt. | 400 |
| 428. Pru-Bache Investment Mgmt. | 400 |
| 429. Cramblit & Carney | 391 |
| 430. McMahan Real Estate | 391 |
| 431. Arnhold & S. Bleichroeder | 390 |
| 432. Amivest Capital Mgmt. | 389 |
| 433. IDS Int'l | 387 |
| 434. Oechsle Int'l Advisors | 383 |
| 435. Investment Advisors | 381 |
| 436. Bowen, Hanes & Taylor | 380 |
| 437. Scudder Realty | 380 |
| 438. Leavy Investment Mgmt. | 379 |
| 439. Bradford & Marzec | 378 |
| 440. Furman Selz Capital | 375 |
| 441. Fort Hill Investors Mgmt. | 372 |
| 442. Magten Asset Mgmt. | 367 |
| 443. William D. Witter | 365 |
| 444. Kiene, Wooters | 360 |
| 445. Sanwa Bank | 355 |
| 446. Dauphin Deposit Bank | 354 |
| 447. Tallasi Mgmt. | 354 |
| 448. BancOhio National Bank | 351 |
| 449. Montag & Caldwell | 351 |
| 450. Merchants Investment | 340 |
| 451. Nicholas | 340 |
| 452. First Boston Asset Mgmt. | 338 |
| 453. Quest Advisory | 332 |
| 454. Portfolio Group | 331 |
| 455. American Express Asset Mgmt. | 330 |
| 456. Wheat Investment Advisors | 328 |
| 457. Chicago Asset Mgmt. | 325 |
| 458. First Jersey Nat'l Bank | 325 |
| 459. Smith Affiliated Capital | 325 |
| 460. Kingsley, Jennison | 321 |
| 461. Astrop Advisory | 320 |
| 462. Verus Capital | 319 |
| 463. Dominion Trust | 315 |
| 464. Ohio Co. | 311 |
| 465. Chelsea Mgmt. | 307 |
| 466. BB&T | 300 |
| 467. Colorado Nat'l Asset Mgmt. | 300 |
| 468. Disciplined Investment Advisors | 300 |
| 469. Idaho First Nat'l Bank | 300 |
| 470. Integrated Resources | 300 |
| 471. Life Insurance Co. of Ga. | 300 |
| 472. Norwest Bank | 300 |
| 473. Palmieri | 300 |
| 474. Petersen, Flynn & Dinsmore | 300 |
| 475. Pru-Bache Investment Advisory | 300 |
| 476. Julius Baer Investment Mgmt. | 299 |
| 477. Grubb & Ellis | 295 |
| 478. Mount Vernon Associates | 287 |
| 479. Greenleaf Capital Mgmt. | 285 |
| 480. Potomac Asset Mgmt. | 285 |
| 481. Webster Capital | 283 |
| 482. MIMLIC Asset Mgmt. | 282 |
| 483. Shearson Equity Mgmt. | 280 |
| 484. Meridian Mgmt. | 279 |
| 485. Signet Bank | 278 |
| 486. Dearden, Maguire and Weaver | 275 |
| 487. Banc One Investment Mgmt. | 272 |
| 488. Capital Advisors | 270 |
| 489. Nelson, Benson & Zellmer | 270 |
| 490. Keystone Investment Mgmt. | 267 |
| 491. Inverness Counsel Inc. | 252 |
| 492. Gillespie, Robinson | 250 |
| 493. Hilliard Lyons Investment Mgmt. | 250 |
| 494. Marquette Capital Mgmt. | 250 |
| 495. Sovran Bank/Md. | 250 |
| 496. Mutual Service Life | 248 |
| 497. Martin Currie | 245 |
| 498. Capitol Bank | 244 |
| 499. BMI Capital | 243 |
| 500. Prescott Asset Mgmt. | 243 |
| 501. Commerce Bank of Kansas City | 242 |
| 502. Burridge Group | 240 |
| 503. First Interstate Bank, Arizona | 240 |
| 504. Resource Capital Advisers | 240 |
| 505. Summit Trust | 240 |
| 506. Kirr, Marbach | 239 |
| 507. Bank of Boston | 238 |
| 508. Janus Capital | 237 |
| 509. Commerce Bank of St. Louis | 235 |
| 510. Alpine Capital Mgmt. | 231 |
| 511. Herbert R. Smith | 230 |
| 512. C-S Capital Advisors | 224 |
| 513. Baxter & Hoops | 220 |
| 514. Leylegian Investment Mgmt. | 220 |
| 515. Woodmont Realty Advisers | 220 |
| 516. Alan G. Seidner | 219 |
| 517. Paribas Asset Mgmt. | 217 |
| 518. Abbott Capital Mgmt. | 215 |
| 519. Ross and Roll | 213 |
| 520. Stock Yards Bank | 212 |
| 521. Capital Mgmt. Int'l | 210 |
| 522. WEDGE Capital | 210 |
| 523. Markston Int'l | 205 |
| 524. Capital Investment Services | 202 |
| 525. Maryland Nat'l Bank | 202 |
| 526. Abel/Noser | 200 |
| 527. Associated Kellogg Bank | 200 |
| 528. Beutel, Goodman Int'l | 200 |
| 529. Boston Security Counsellors | 200 |
| 530. Crabbe-Huson | 200 |
| 531. John McStay Investment | 200 |
| 532. Roulston | 200 |
| 533. U.S. Nat'l Bank | 200 |
| 534. United Bank | 200 |
| 535. Summit Mgmt. | 197 |
| 536. Southland Trust | 196 |
| 537. Amalgamated Trust & Savings | 195 |
| 538. Securities Counselors | 193 |
| 539. C.J. Lawrence Mgmt. | 192 |
| 540. Morison Asset Mgmt. | 191 |
| 541. Kleinwort Benson | 190 |
| 542. Piedmont Realty | 190 |
| 543. Burnham | 187 |
| 544. Chase Investment Counsel | 187 |
| 545. Thompson/Rubinstein | 186 |
| 546. Glass, Austin & Calvert | 183 |
| 547. IDS Growth Spectrum | 182 |
| 548. AIM Mgmt. | 181 |
| 549. Frost Nat'l Bank | 181 |
| 550. George B. Springman | 181 |
| 551. Growth Stock Outlook | 180 |
| 552. Hutton Government Securities | 175 |
| 553. PSM Investors | 175 |
| 554. Wilson, Kemp | 175 |
| 555. Bank South | 171 |
| 556. Noddings-Calamos | 171 |
| 557. Ashfield/Pacific | 170 |
| 558. Evans & Moxon Capital Mgmt. | 170 |
| 559. Johnson, Valliant, Broadfoot | 170 |
| 560. Kurtz Capital Mgmt. | 170 |
| 561. Virginia Investment Counselors | 170 |
| 562. Garrison, Keogh | 169 |
| 563. P.E. Becker | 164 |
| 564. Chestertons USA | 163 |
| 565. Johnson Investment Counsel | 163 |
| 566. Kahn Brothers | 162 |
| 567. NBD Ann Arbor | 161 |
| 568. Heartland Capital Mgmt. | 160 |
| 569. NSR Asset Mgmt. | 159 |
| 570. Rittenhouse Financial | 158 |
| 571. Cambiar Investors | 155 |
| 572. First Security Nat'l Bank | 155 |
| 573. Aronson & Fogler | 150 |
| 574. Baillie Gifford Overseas | 150 |
| 575. Dana Investment Advisors | 150 |
| 576. Equitec Institutional Realty | 150 |
| 577. Loeb Partners | 150 |
| 578. Mid-State Capital Mgmt. | 150 |
| 579. Schupf, Woltman | 150 |
| 580. Target Investors | 150 |
| 581. United States Annuities | 150 |
| 582. Campbell, Reed, Conner | 145 |
| 583. Legg Mason | 142 |
| 584. Burgess Capital | 141 |
| 585. Lombard Odier Holdings U.K. | 139 |
| 586. American Pension Mgmt. | 137 |
| 587. Crawford Investment Counsel | 137 |
| 588. PMRealty Advisors | 136 |
| 589. Farmer & Lang | 135 |
| 590. First Interstate Trust | 135 |
| 591. Mathers | 135 |
| 592. SBC Portfolio Mgmt. | 135 |
| 593. American Asset Mgmt. | 133 |
| 594. Fiduciary Counsel | 130 |
| 595. Scheetz, Smith | 130 |
| 596. James Investment Research | 129 |
| 597. Derivative Markets | 127 |
| 598. Dietche & Field Advisers | 127 |
| 599. Winchester Capital Mgmt. | 125 |
| 600. Michael B. O'Higgins | 124 |
| 601. Lieberman | 120 |
| 602. Schaenen Wood & Associates | 120 |
| 603. Lotsoff Capital | 116 |
| 604. Aetna MIM Asset Mgmt. | 115 |
| 605. Landauer Advisors | 114 |
| 606. California First Capital Mgmt. | 113 |
| 607. Lipper Analytical Services | 113 |
| 608. U.S. Nat'l Bank | 111 |
| 609. Campbell, Newman, Pottinger | 110 |
| 610. Delafield, Harvey, Tabell | 110 |
| 611. Franklin Asset Mgmt. | 110 |
| 612. Ariel Capital Mgmt. | 108 |
| 613. First Variable Life | 106 |
| 614. Flippin, Bruce & Porter | 105 |
| 615. Shearson Mgmt. | 103 |
| 616. Security Nat'l Bank | 102 |
| 617. Kennedy Capital Mgmt. | 101 |
| 618. Morgan Stanley Chicago Group | 101 |
| 619. Badgley & Phelps | 100 |
| 620. Churchill Mgmt. | 100 |
| 621. Commerce Capital Mgmt. | 100 |
| 622. Delta Financial | 100 |
| 623. Emerging Growth Partners | 100 |
| 624. Ferris Investment Advisory | 100 |
| 625. Illinois Co. | 100 |
| 626. Lerner Investment Mgmt. | 100 |
| 627. Moran Asset Mgmt. | 100 |
| 628. Narragansett Capital | 100 |
| 629. Pilgrim Group | 100 |
| 630. Saybrook Capital | 100 |
| 631. Swanson Hamo Capital Mgmt. | 100 |
| 632. Triangle Portfolio | 100 |
| 633. Bank of Tokyo Trust | 98 |
| 634. Wertheim-Philippe Int'l | 96 |
| 635. Nat'l City Bank, Evansville | 95 |
| 636. PM Portfolio Mgmt. | 95 |
| 637. Stuyvesant Capital Mgmt. | 95 |
| 638. Union Trust Services | 95 |
| 639. JCB Asset Mgmt. | 94 |
| 640. Gintel Equity Mgmt. | 93 |
| 641. Golder, Thoma & Cressey | 91 |
| 642. Anchor Capital Advisors | 90 |
| 643. Ballard Biehl & Kaiser | 90 |
| 644. CM&M Asset Mgmt. | 90 |
| 645. Fourth Investment Advisors | 90 |
| 646. Investors Mgmt. Services | 90 |
| 647. Madison Investment Advisors | 90 |
| 648. Marshall & Sullivan | 90 |
| 649. QCI | 90 |
| 650. Jenswold, King & Associates | 89 |
| 651. Key Trust | 89 |
| 652. Boston Int'l Advisors** | 88 |
| 653. Corbyn Associates | 88 |
| 654. Cadinha | 87 |
| 655. Seattle Trust | 87 |
| 656. D.F. Dent | 86 |
| 657. SUHRCO Real Estate | 85 |
| 658. Sullivan, Morrissey & Mickle | 85 |
| 659. Cramer Rosenthal McGlynn | 84 |
| 660. Gradison | 84 |
| 661. Ivory & Sime Int'l | 84 |
| 662. First Nat'l Bank of Shreveport | 83 |
| 663. Cullen Center Bank | 82 |
| 664. Daniel H. Renberg | 82 |
| 665. Financial Trust | 82 |
| 666. Argus Investment Mgmt. | 81 |
| 667. Nat'l Property Advisors | 81 |
| 668. American Nat'l Bank & Trust | 80 |

# Managers ranked by tax-exempt assets

| Manager | As of Jan. 1 ($ millions) |
|---|---|
| 669. Tomlin Properties | 80 |
| 670. Fiske Capital Mgmt. | 79 |
| 671. McBryan, Malone & Russell | 78 |
| 672. Thorson, Brown & Plunkett | 78 |
| 673. Guaranty Trust of Missouri | 76 |
| 674. JMC Capital Mgmt. | 76 |
| 675. Wakley & Roberton | 76 |
| 676. Brandywine Asset Mgmt. | 75 |
| 677. G. Waring Boys | 75 |
| 678. Pension Portfolio Advisors | 75 |
| 679. Security Nat'l Bank | 75 |
| 680. Ganucheau, Stupfel & Brumley | 74 |
| 681. Kempner Capital Mgmt. | 74 |
| 682. Cumberland Advisors | 73 |
| 683. Bollinger | 72 |
| 684. County Investment Mgmt. | 71 |
| 685. Hutchinson Nat'l Bank | 71 |
| 686. MRealty | 71 |
| 687. R.B. Haave Associates | 71 |
| 688. First City Bank | 70 |
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| 826. Sabl Associates | 15 |
| 827. Safian Investment Research | 15 |
| 828. Waycross | 15 |
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| 832. Derby | 13 |
| 833. MLP Capital Formation | 13 |
| 834. Sheffield | 13 |
| 835. Buffalo Capital | 12 |
| 836. Claremont | 12 |
| 837. Edward C. Rorer | 12 |
| 838. Govaars & Associates | 12 |
| 839. India Wharf | 12 |
| 840. Kreger Capital Mgmt. | 12 |
| 841. Newhard, Cook | 12 |
| 842. Wagstaff, Lodefink | 12 |
| 843. Florence Fearrington | 11 |
| 844. John Stewart Darrell | 11 |
| 845. Sumitomo Bank | 11 |
| 846. Bondoux Investment Mgmt. | 10 |
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| 849. Forest Investment Associates | 10 |
| 850. Kenneth J. Gerbino | 10 |
| 851. Simpson Capital Mgmt. | 10 |
| 852. Steele | 10 |
| 853. Trascott, Alyson, Craig | 10 |
| 854. Unified Mgmt. | 10 |
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| 860. RAC Advisors | 8 |
| 861. Weiser Investment Mgmt. | 8 |
| 862. Wm. A. Inskeep | 8 |
| 863. American Agricultural Investment | 7 |
| 864. David W. Cook | 7 |
| 865. NCM Capital Mgmt. | 7 |
| 866. Butcher Investment Mgmt. | 6 |
| 867. Contravisory Investment Mgmt. | 6 |
| 868. DeJarnette Investment Advisors | 6 |
| 869. Professional Asset Mgmt. | 6 |
| 870. Touche Remnant | 6 |
| 871. Yamaichi Capital | 6 |
| 872. Bostian Research Associates | 5 |
| 873. Mason Hill Asset Mgmt. | 5 |
| 874. Thomas D. Kienlen | 5 |
| 875. Zavanelli Portfolio | 5 |
| 876. Platner & Associates | 4 |
| 877. Stinson Mgmt. | 4 |
| 878. Adams Express | 3 |
| 879. Albion Mgmt. Group | 3 |
| 880. Cambier Investment Mgmt. | 3 |
| 881. Computime Institutional | 3 |
| 882. North American Capital Mgmt. | 3 |
| 883. WRC Capital | 3 |
| 884. Beyreuther | 2 |
| 885. J.W. Redmond | 2 |
| 886. KAS Investment Consultants | 2 |
| 887. Longfellow Investment Mgmt. | 2 |
| 888. Round Hill Asset Mgmt. | 2 |
| 889. Schield Portfolios | 2 |
| 890. Stratton Capital | 2 |
| 891. Dollins Symons Mgmt. | 1 |
| 892. Guildcor Financial | 1 |
| 893. Investors Asset Mgmt. | 1 |
| 894. Lingo Capital Mgmt. | 1 |
| 895. Nicholson Group | 1 |
| 896. Petroleum & Resources | 1 |
| 897. IDS Financial Services | 0.8 |
| 898. T&L Advisors | 0.5 |
| 899. Commodity Mgmt. Service | 0.1 |
| 900. AgriVest | 0 |
| 901. AIG Global | 0 |
| 902. AMB Investments | 0 |
| 903. American Capital Mgmt. | 0 |
| 904. Balch, Hardy & Scheinman | 0 |
| 905. Cambridge Realty Advisors | 0 |
| 906. James Capel Int'l Asset Mgmt. | 0 |
| 907. Comstock Partners | 0 |
| 908. Cushman & Wakefield | 0 |
| 909. Disciplined Portfolio Mgmt. | 0 |
| 910. Equity Investment | 0 |
| 911. Griffin Capital | 0 |
| 912. Henderson Int'l | 0 |
| 913. Hickey Capital Mgmt. | 0 |
| 914. Jacobs Levy | 0 |
| 915. Jacques & Kurdziel | 0 |
| 916. Kangyo Kakumaru | 0 |
| 917. Knight, Bain, Seath, Holbrook | 0 |
| 918. Leland O'Brien | 0 |
| 919. MFM Capital Mgmt. | 0 |
| 920. New Japan Capital Mgmt. USA | 0 |
| 921. Newport Pacific | 0 |
| 922. Options Group | 0 |
| 923. Plexus Group | 0 |
| 924. T.W. Richardson | 0 |
| 925. N. Reitenbach | 0 |
| 926. Gregory L. Smith | 0 |
| 927. Smith Barney Birtcher | 0 |
| 928. Smith Breeden | 0 |
| 929. Robert E. Torray | NA |
| 930. United Trust Fund | 0 |
| **Total** | **1,516,126** |

# *Directory data obtained from questionnaires*

The information contained in the stories, profiles, charts and tables in this special issue was developed by *Pensions & Investment Age* from answers to detailed questionnaires.

Questionnaires were sent to client contacts or chief investment officers at more than 2,300 banks, trust companies, insurance companies and independent investment advisers in the United States, Canada and Europe. Real estate and international managers also were included, even though *P&I Age* publishes separate directories on those subjects.

A team of editorial staff members in Chicago worked on this issue — the 14th annual directory of investment advisers — for almost five months before its publication.

All quantifiable answers to the questionnaires were entered into a spreadsheet program from which the charts, tables and other statistics were compiled.

All information, except where noted, was as of Jan. 1, 1987.

As in previous years, all managers were asked to provide total and tax-exempt assets under management; tax-exempt asset mix; kinds, number and names of tax-exempt clients; areas of investment capabilities; investment approaches to stocks, bonds and real estate, where appropriate; names and titles of chief investment officer and client contact; the parent company name and total assets under management; and dollar amounts in categories such as equity real estate, mortgage-backed securities, mortgages, foreign investments, indexed funds and dedicated/immunized bond portfolios.

Banks and trust companies also were asked to break out the tax-exempt assets into commingled and separate accounts, with numbers of clients in each category.

Insurance companies also were asked to give detailed information about the separate and general accounts.

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# Profiles

## a

### Abbott Capital Management
*P.O. Box 81107, 1 Market St., Wellesley Hills, Mass. 02181; (617) 235-1088*

| | |
|---|---|
| Total assets managed | $215,000,000 |
| Tax-exempt assets managed | $215,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CEG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Abbott Capital Management Inc. is a venture capital funds manager that uses a qualitative approach.

The firm uses in-depth analyses of the management teams to manage a 10- to 12-year venture capital partnership.

All assets Jan. 1 were in venture capital funds.

Clients include AT&T, Army and Air Force Exchange Service, Unisys and Carleton College.

Raymond L. Held, president, is chief investment officer. Stanley E. Pratt, chairman, is client contact.

### ABD International Management Corp.
*10 E. 53rd St., New York, N.Y. 10022; (212) 319-5020*

| | |
|---|---|
| Total assets managed | $1,813,000,000 |
| Tax-exempt assets managed | $1,467,000,000 |
| International assets managed | $1,311,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CEF |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 79 |

ABD International Management Corp. is an international and currency manager.

For equities, it takes an active approach to currencies and stock selection based on industry rotation worldwide and within markets. The currency decision is considered separately from asset allocation and security selection.

Its fixed-income approach uses interest rate anticipation, currency considerations, technical analysis and macroeconomic analysis regarding currency implications.

The asset mix Jan. 1 was 89% stocks and 11% cash.

There was $1.161 billion in foreign stocks and $150 million in foreign cash.

One hundred and fifty stocks are followed closely and 500, generally; 60% of the research is generated internally.

ABD is 75% owned by Dresdner Bank and 25% owned by Hypo Bank.

Clients include General Motors, General Electric, the Common Fund and AT&T.

Wilhelm Heischman is chief investment officer. Jurgen Schwarz, vice president, is client contact.

### Abel/Noser Corp.
*90 Broad St., 23rd Floor, New York, N.Y. 10004; (212) 344-2610*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | C |
| Minimum separate account | $5,060,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 4 |

Abel/Noser Corp. is an equity manager.

Its equity approach is quantitative, emphasizing low price-earnings ratio. It invests in undervalued stocks with high earnings potential which recently reported earnings surprises using a ranking system with manual override when significant adverse information is published.

The asset mix Jan. 1 was 100% stocks.

Clients include Honeywell, Springs Industries and the United Food and Commercial Workers International union.

Stanley S. Abel, chairman, is chief investment officer. Richard T. McSherry, executive vice president, is client contact.

### ABN/LaSalle
*135 S. LaSalle St., Chicago, Ill. 60690; (312) 443-2497*

| | |
|---|---|
| Total assets managed | $1,500,000,000 |
| Tax-exempt assets managed | |
| Total | $800,000,000 |
| Commingled | $200,000,000 |
| Separate | $600,000,000 |
| 401(k) and 457 assets managed | $100,000,000 |
| Mortgage-backed assets managed | $40,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | |
| Commingled | 200 |
| Separate | 50 |
| Types of accounts managed | CEJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 5 |

ABN LaSalle is an equity, fixed-income, balanced and international manager.

Using an equity approach based on growth stock, Graham & Dodd and quantitative principles, ABN LaSalle offers a family of quantitatively driven products.

Fixed-income portfolios are managed using duration as a measure of potential volatility. The shape of the yield curve and interest rate forecasts are major inputs. Fixed-income futures are used.

The tax-exempt asset mix Jan. 1 was 15% stocks, 40% bonds, 20% cash, 5% mortgage-backed securities and 20% GICs.

ABN LaSalle manages assets for 50 401(k) or 457 savings plans. As of Jan. 1, the bank also managed $5 million in dedicated or immunized portfolios.

The parent company is ABN. Assets under management by ABN, subsidiaries and affiliates are $7 billion.

James F. Sullivan, senior vice president, is chief investment officer and client contact.

### Acquest Capital Management Inc.
*300 E. Long Lake Road, Suite 280, Bloomfield Hills, Mich. 48013; (313) 645-5130*

| | |
|---|---|
| Total assets managed | $65,000,000 |
| Tax-exempt assets managed | $44,000,000 |
| Real estate assets managed | $44,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Acquest Capital Management Inc. is a real estate manager emphasizing product knowledge, market research, sophisticated financial analysis, development skills, management control and integrity.

The asset mix Jan. 1 was 10% equity real estate, 45% mortgages and 45% hybrid debt.

Clients include Dow Chemical, Operating Engineers' and Detroit area Carpenters.

David G. Ong, president, is chief investment officer. Delores M. Hoenes, acquisition manager, is client contact.

### The Adams Express Co.
*7 St. Paul St., Baltimore, Md. 21202; (301) 752-5900*

| | |
|---|---|
| Total assets managed | $468,000,000 |
| Tax-exempt assets managed | $3,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 6 |

The Adams Express Co. is an equity manager, emphasizing growth stock, low price-earnings ratios and Graham & Dodd principles. It accomplishes risk averse investment through value, quality and investment merit of each security based on earnings and dividend growth. It emphasizes energy stocks. Options are used.

The firm was 100% invested in stocks Jan. 1.

The parent company is Adams Express Co. Total assets under management by the parent company, subsidiaries and affiliates are $744 million.

W.D. MacCallan, chairman and chief executive officer, is chief investment officer. Monica C. Loh, vice president-investment advisory services, is client contact.

**Key to abbreviations**
**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)

### Addison Capital Management Co.
*1608 Walnut St., 13th Floor, Philadelphia, Pa. 19103; (215) 735-2121*

| | |
|---|---|
| Total assets managed | $153,000,000 |
| Tax-exempt assets managed | $22,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Addison Capital Management Co. is an equity and balanced manager.

Its equity approach is quantitative, emphasizing low p/e ratios and sector rotation in a value-oriented, contrarian philosophy with a diversified list of out-of-favor stocks drawn from a mixture of capitalization sizes.

Its fixed-income approach is passive.

The asset mix Jan. 1 was 95% stocks, 3% bonds and 2% cash.

Clients include Pennsylvania Employes and Health Management Systems.

Jay R. Massey, president, is chief investment officer and client contact.

### Aegis Capital Management
*40 Wall St., 47th Floor, New York, N.Y. 10006; (212) 889-2777*

| | |
|---|---|
| Total assets managed | $43,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

Aegis Capital Management Corp. is a fixed-income, yield enhancement and options and futures manager.

Its fixed-income approach combines dynamic yield enhancement and risk-controlled arbitrage. Futures and options are used to protect principal, create liquidity and enhance yields for U.S. Treasury portfolios.

All assets Jan. 1 were in fixed-income, hedged fixed-income and futures arbitrage accounts.

Clients include Carolina Clinic and North Carolina Forestry.

Jonathan B. Greenspan, vice president, is chief investment officer. Thomas P. Zucosky, president, is client contact.

### Aetna Capital Management
*145 King St. West, 14th Floor, Toronto, Ontario M5H 3T7; (416) 864-3782*

| | |
|---|---|
| Total assets managed | $660,000,000 |
| Tax-exempt assets managed | |
| Total | $556,000,000 |
| For subsidiaries of U.S. firms | $60,000,000 |
| Real estate assets managed | $147,000,000 |
| Tax-exempt clients | |
| Total | 46 |
| U.S. subsidiaries | 6 |
| Types of accounts managed | CU |
| Minimum separate account | $3,600,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Aetna Capital Management Ltd., a Canadian firm, is an equity, fixed-income, balanced, real estate and short-term manager.

The firm uses fundamental analysis in its selection process, looking for long-term value using a variety of measures and an assessment of management strength.

Its fixed-income approach uses bonds with a high-yield/low-volatility orientation. Value is added through duration trades and sector swaps and finding undervalued securities. High-quality mortgages sometimes are used.

Its real estate approach uses a series of closed-end funds, retaining 25% of the project and acting as manager.

The asset mix Jan. 1 was 17% Canadian stocks, 21% bonds, 32% cash, 5% equity real estate, 24% mortgages and 1% U.S. stocks.

The parent is Aetna Canada. Assets managed by the parent, subsidiaries and affiliates total $942 million.

William H. Alexander, president, is chief investment officer. Judith A. Lake, vice president, is client contact.

## Profile statistics at a glance

| | |
|---|---|
| **Total managers profiled** | **984** |
| Banks, trust cos., subsidiaries | 215 |
| Insurance cos., subsidiaries | 69 |
| Investment counselors | 646 |
| Canadian managers* | 54 |
| **Total portfolio managers employed** | **7,423** |
| **Total security analysts employed** | **4,979** |
| **Stocks watched closely (average)** | |
| By banks | 287 |
| By insurance companies | 239 |
| By investment counselors | 204 |
| **Stocks watched generally (average)** | |
| By banks | 621 |
| By insurance companies | 1,188 |
| By investment counselors | 933 |
| **Percentage of in-house research (average)** | |
| By banks | 49 |
| By insurance companies | 59 |
| By investment counselors | 63 |
| **No. of managers using options** | **259** |
| **No. of managers using stock-index futures** | **126** |
| **No. of managers using fixed-income futures** | **122** |
| **Total assets managed ($ millions)** | **2,685,361** |
| Top 200 | 2,023,927 |
| Top 100 | 1,599,242 |
| **Tax-exempt assets managed ($ millions)** | **1,516,126** |
| Top 200 | 1,272,842 |
| Top 100 | 1,036,521 |
| **Tax-exempt assets managed ($ millions)** | |
| Banks, trust cos. and subsidiaries | 574,132 |
| Insurance cos. and subsidiaries | 416,258 |
| Investment counselors | 525,736 |
| **Real estate assets managed ($ millions)** | **74,328** |
| Equity real estate | 54,603 |
| Mortgages | 14,681 |
| **Mortgage-backed securities** | **36,840** |
| **International assets managed $ millions)** | **59,899** |
| Equity | 43,589 |
| Bonds | 14,255 |
| Cash | 2,055 |
| **Assets invested in GICs ($ millions)** | **101,861** |
| **Assets invested in 401(k)/457 plans ($ millions)** | **62,624** |

* All other statistics exclude Canadian managers

### Aetna Life Insurance Co.
*151 Farmington Ave., Hartford, Conn. 06156; (203) 273-0123*

| | |
|---|---|
| Total assets managed | $60,226,000,000 |
| Tax-exempt assets managed | |
| Total | $38,287,000,000 |
| Pooled accounts | $4,863,000,000 |
| Separate accounts | $4,281,000,000 |
| GICs | $12,279,000,000 |
| Annuities | $5,044,000,000 |
| Other | $11,820,000,000 |
| 401(k) and 457 assets managed | $4,664,000,000 |
| Real estate assets managed | $2,286,000,000 |
| Tax-exempt clients | 1,167 |
| Types of accounts managed | CFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 15 |

Aetna Life Insurance Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes companies with positive future earnings momentum and superior relative p/e ratio targets. Passive management is also offered.

Its fixed-income approach uses sector analysis. The approach is designed to control market risk while emphasizing cash flow and value to maximize total returns. Cash used to govern duration within a prescribed band is generally less than 25% of portfolio.

Its real estate approach includes strategic analysis, acquisition, aggressive property management and a disciplined sales program.

The separate accounts asset mix Jan. 1 was 26% stocks, 5% bonds, 15% cash, 17% equity real estate, 8% mortgages and 29% annuity closeouts.

There was $1.554 billion in real estate equity, $732 million in mortgages, $11.2 million in equity index funds and $135 million in dedicated or immunized portfolios.

There are 360 401(k) and 457 savings plans clients. Options and stock index futures are used.

The parent company is Aetna Life & Casualty. Total assets under management by the parent company, subsidiaries and affiliates are $104.556 billion.

Donald G. Conrad, executive vice president, is chief investment officer. T. Jerald Moore, vice president, is client contact.

### Aetna MIM Asset Management Ltd.
*151 Farmington Ave., YCC1, Hartford, Conn. 06156; (203) 275-3710*

| | |
|---|---|
| Total assets managed | $210,000,000 |
| Tax-exempt assets managed | $115,000,000 |
| International assets managed | $115,000,000 |
| Tax-exempt clients | 120 |
| Types of accounts managed | CG |
| Minimum separate account | $0 |
| No. of portfolio managers | 8 |

Aetna MIM Asset Management Ltd. is an international manager.

Its equity approach emphasizes growth stock and sector rotation to build a diversified international portfolio subject to predetermined risk parameters. Market allocation and stock selection are emphasized; currency management is used to reduce volatility.

The asset mix Jan. 1 was 92% stocks and 8% cash.

There was $106 million in foreign stocks and $9 million in foreign cash.

The parent company is Aetna Life & Casualty Co. Total assets under management by the parent company, subsidiaries and affiliates are $104.556 billion.

Donald G. Conrad, executive vice president, is chief investment officer. John P. Sullivan Jr., director, is client contact.

### AFA Financial

*525 Hanna Building, Cleveland, Ohio 44115; (216) 861-1050*

| | |
|---|---|
| Total assets managed | $532,000,000 |
| Tax-exempt assets managed | $410,000,000 |
| Tax-exempt clients | 430 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

AFA Financial, is an equity and fixed-income manager.

Its equity approach is the yield method of investing. Stocks are screened to minimize financial, business and market risk to a defined universe of 230 high-quality securities that are eligible for purchase based upon their yield.

In its fixed-income approach, only high-coupon government issues or AAA bonds are purchased with maturities based on the interest rate and money supply fluctuations. It is high cash-flow/high-quality based.

The asset mix Jan. 1 was 63% stocks, 8% bonds and 29% cash.

Clients include Fabri-Centers of America Inc., Liebert Corp., Lamson & Sessions Co. and Brush Wellman.

Abraham Feldesman, chief executive officer, is chief investment officer. Debra L. Boerger, vice president-marketing, is client contact.

### AFC Advisory Services Inc.

*No. 701, 8555 16th St., Silver Spring, Md. 20910; (301) 588-5000*

| | |
|---|---|
| Total assets managed | $22,000,000 |
| Tax-exempt assets managed | $8,000,000 |
| 401(k) assets managed | $1,000,000 |
| Mortgage-backed assets managed | $500,000 |
| International assets managed | $500,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CFJ |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

AFC Advisory Services Inc. is an equity and fixed-income manager.

Its equity approach emphasizes growth stock, emerging growth stock and market timing.

Its fixed-income approach uses trend analysis.

The asset mix Jan. 1 was 80% stocks and 20% bonds.

There are three 401(k) clients.

The parent company is American Financial Consultants. Total assets under management by the parent company, subsidiaries and affiliates are $22 million.

Barry L. Cliff is chief investment officer and client contact.

### AgriVest

*500 Winding Brook Drive, Glastonbury, Conn. 06033; (203) 659-3711*

| | |
|---|---|
| Total assets managed | $450,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 3 |

AgriVest is a real estate manager that makes conservative, value-oriented investments, both equity and debt, in agricultural real estate in the major U.S. agricultural regions.

It is seeking tax-exempt clients.

George E. Schwab, president, is chief investment officer. James B. McCandless, executive vice president, is client contact.

### AIG Global Investors

*1 World Financial Center, 19th Floor, New York. N.Y. 10281; (212) 266-0402*

| | |
|---|---|
| Total assets managed | $7,000,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 8 |

AIG Global Investors is an equity, fixed-income, balanced and international manager.

Its equity approach is to buy global growth stocks, using a disciplined, long-term approach.

Fixed-income portfolios, when used, are constructed with an emphasis on quality and analyzing longer-term trends.

It follows 300 stocks closely and 1,000, generally; 20% of the research is generated internally.

The parent company is American International Group.

Richard J. Hoffman, president, and Richard B. Goodwyn, chairman, are chief investment officers. Mr. Hoffman is client contact.

### AIM Management Inc.

*11 Greenway Plaza, Suite 1919, Houston, Texas 77046; (713) 626-1919*

| | |
|---|---|
| Total assets managed | $8,268,000,000 |
| Tax-exempt assets managed | $181,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 5 |

AIM Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach utilizes growth and emerging growth stocks. Equities are monitored on basis of earnings momentum and relative strength in the marketplace.

Its fixed-income approach focuses on high-yield and convertible bonds. The firm creates overdiversified portfolios loaded with lower-quality issues to capitalize on yield premiums. In the convertible sector, the firm seeks the high level of current income that exceeds yields in the equity market.

All assets Jan. 1 were in bonds.

There is one 401(k) client. Options are used.

Charles T. Bauer, president, is chief investment officer. Gary T. Crum, senior vice president and assistant treasurer, is client contact.

### Albion Management Group

*Alta Lodge, Alta, Utah 84092; (801) 742-3500*

| | |
|---|---|
| Total assets managed | $12,000,000 |
| Tax-exempt assets managed | $3,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 2 |

Albion Management Group is an equity and a balanced manager.

Its equity approach emphasizes growth stock, emerging growth stock and low p/e ratios. It seeks values overlooked by other investors. It looks for companies with a market niche, growth and earnings potential in products under development, hidden assets and other special situations. Options are used.

Its fixed-income approach relies on interest rate anticipation.

The asset mix Jan. 1 was 68% stocks, 14% bonds and 18% cash.

Toby Levitt, president, is chief investment officer. Amy S. Landis, vice president-corporate and pension accounts, is client contact.

### Aldrich, Eastman & Waltch

*265 Franklin St., Boston, Mass. 02110; (617) 439-9000*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed | $2,000,000,000 |
| Real estate assets managed | $2,000,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CEG |
| Minimum separate account | $100,000,000 |
| Size of research staff | 87 |

Aldrich, Eastman & Waltch Inc. is a real estate manager.

Its approach is flexible and opportunistic, reflecting property fundamentals and current market conditions. It emphasizes adding value through active management of both the property and the capital structure of the investment.

The asset mix Jan. 1 was 95% equity real estate and equity-oriented debt instruments, and 5% mortgages.

Thomas G. Eastman, principal, is chief investment officer. Robert J. Hannan, vice president, is client contact.

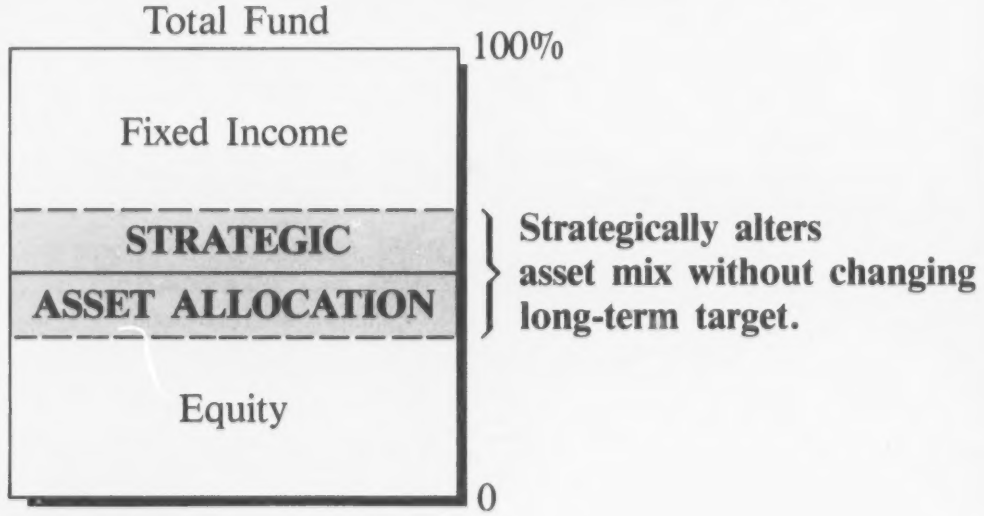
### Alexander, Scriver & Associates Inc.

*1099 18th St. Suite 2810, Denver, Colo. 80202; (303) 298-1858*

| | |
|---|---|
| Total assets managed | $170,000,000 |


# TOTAL FUND ASSET ALLOCATION

It's too important to leave static. It determines the *risk, volatility* and *performance* of your fund. With passive vehicles, now even the largest funds can benefit from our STRATEGIC ASSET ALLOCATION service:




## KEY FEATURES

- Systematic approach via quantitative research
- 17 years REAL-TIME experience
- Uses index fund, cash fund and/or futures
- Participates with market advances; protects capital during declines

## WHERE WE FIT

- "Swing" manager to control total fund risk/volatility
- Flexible equity core manager
- Active asset allocation input for inhouse management
- Defensive equity option for defined contribution assets
- Capital preservation alternative to portfolio insurance

AVATAR ASSOCIATES

900 Third Avenue • NY, NY 10022 • Bruce Poliquin, V.P. • (212) 753-7710

| | |
|---|---|
| Tax-exempt assets managed | $53,000,000 |
| 401(k) assets managed | $1,000,000 |
| International assets managed | $26,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | CEF |
| Minimum separate account | $150,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Alexander, Scriver & Associates Inc. is an equity, fixed-income, balanced and international manager.

Its equity approach uses Graham & Dodd principles. Managers first act as contrarians, looking for overreactions in markets by analyzing price information quantitatively and later apply more traditional analytical techniques to establish value.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 51% stocks, 5% bonds and 44% cash.

There are three 401(k) clients.

The parent company is Chemical New York Corp. Total assets under management by the parent company, subsidiaries and affiliates are $16 billion.

Gerald H. Scriver is chief investment officer. Robert J. Reed, senior vice president, is client contact.

### Fred Alger Management Inc.

*75 Maiden Lane, New York, N.Y. 10038; (212) 806-8800*

| | |
|---|---|
| Total assets managed | $3,327,000,000 |
| Tax-exempt assets managed | $3,198,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| Size of research staff | 30 |

Fred Alger Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stocks, identifying and investing in "life-cycle change" and "high-unit volume" growth companies and those catering to rapidly expanding markets.

Its fixed-income approach uses interest rate anticipation and sector, spread and credit analyses. The firm adds value and consistency through active maturity and sector positioning based on yield curve anticipation and spread analysis. Carefully researched lower credit issues are used occasionally.

The asset mix Jan. 1 was 83% stocks, 8% bonds and 9% cash.

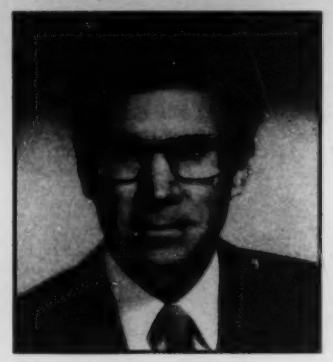
A total of 1,400 stocks are followed closely and 1,600, generally; all research is generated internally.

The parent company is Fred Alger & Co. Inc. Assets under management by the parent and all subsidiaries and affiliates total $3.337 billion.

Clients include Alaska, ABC, Boilermaker-Blacksmith National Pension Trust and city of Wichita.

Fred Alger is chief investment officer. Krista M. Woodall, senior vice president and director of marketing and client service, is client contact.

In *Pensions & Investment Age*'s annual survey of investment advisory firms, "tax-exempt assets" refers to U.S. institutional tax-exempt assets only and does not include individuals, IRAs or Keogh plans.



*Dave H. Williams*
*Alliance Capital Management*

### Alliance Capital Management Corp.

*1345 Avenue of the Americas, New York, N.Y. 10105; (212) 969-1000*

| | |
|---|---|
| Total assets managed | $31,139,000,000 |
| Tax-exempt assets managed | $23,367,000,000 |
| Mortgage-backed assets managed | $3,000,000,000 |
| International assets managed | $360,000,000 |
| Tax-exempt clients | 337 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 47 |
| Size of research staff | 13 |

Alliance Capital Management Corp. is an equity, fixed-income, balanced, international, and venture capital manager.

Using emerging growth and sector rotation, the firm identifies and invests in stocks with two- to three-year relative earnings strength at an early stage and at a reasonable price.

Its fixed-income approach is passive, using interest rate anticipation and sector analysis. It manages market risk by limiting duration deviations from the market. Value is added through heavy sector concentrations and opportunity trading.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 79% stocks, 8% bonds, 5% cash and 8% mortgage-backed securities.

It has $2.89 billion invested in stock index funds; $45 million in bond index funds; and $268 million in dedicated or immunized bond portfolios.

The parent company is The Equitable Life Assurance Society of the United States. Total assets under management by the parent, subsidiaries and affiliates are $90.772 billion.

Dave H. Williams is chief investment officer. Margaret M. Frankowski is client contact.

### Allianz Investment Corp.

*Allianz Financial Centre, 2323 Bryan, Dallas, Texas 75201; (214) 978-7900*

| | |
|---|---|
| Total assets managed | $1,600,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 9 |

Allianz Investment Corp. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes growth and low p/e stocks.

Its fixed-income approach uses interest rate anticipation and sector analysis.

Fifteen stocks are followed closely and 40, generally; 10% of the research is generated internally.

The parent company is Allianz AG. Total assets under management by the parent, subsidiaries and affiliates are $10 billion.

Ronald M. Clark, president, is chief investment officer and client contact.

### Allstate Life Insurance

*Allstate Plaza South, Northbrook, Ill. 60062; (312) 291-5000*

| | |
|---|---|
| Total assets managed | $705,000,000 |
| Tax-exempt assets managed | $705,000,000 |
| GICs | $468,000,000 |
| Annuities | $237,000,000 |
| 401(k) and 457 assets managed | $120,000,000 |
| Types of accounts managed | CEF |
| No. of portfolio managers | 4 |
| Size of research staff | 19 |

Allstate Life Insurance Co. is a guaranteed investment contract manager.

As of Jan. 1, it held $351 million in single and $117 million in recurring GICs and $237 million in pension-related annuities.

There were 40 401(k) and 457 savings plan clients.

The parent company is Allstate Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $17.1 billion.

Clients include Whirlpool, MCA, Halliburton and Hoffman-LaRoche.

Louis G. Lower II is chief investment officer. Henry Hsiang, director-group pension marketing, is client contact.

### Alpine Capital Management

*650 S. Cherry St., Denver, Colo. 80439; (303) 320-3944*

| | |
|---|---|
| Total assets managed | $325,000,000 |
| Tax-exempt assets managed | $231,000,000 |
| 401(k) assets managed | $25,000,000 |
| Tax-exempt clients | 34 |
| Types of accounts managed | CEG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 2 |

Alpine Capital Management Inc. is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an equity, fixed-income and balanced manager.

Its equity approach relies on sector rotation and market timing, concentrating on asset allocation and group selection, using no-load mutual funds.

Its fixed-income approach is based on interest rate anticipation, investing in mutual funds offering securities of different maturities, qualities and types.

All assets were in stocks Jan. 1.

Clients include Cetus Corp. and Kenosha Memorial Hospital.

Joseph N. Pecorano and Nancy C. Van Gelder are client contacts.

### Altamira Management Ltd.

*475 Michel Jasmin, Dorval, Quebec, H9P 1C2; (514) 631-2347*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed: | |
| Total | $115,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Altamira Management Ltd., a Canadian firm, offers fixed-income and preferred-share management.

It uses interest rate anticipation, sector analysis and value arbitraging. Its core portfolio undergoes extensive substitution trading on the basis of value. This is combined with conservative term and credit exposure.

The asset mix Jan. 1 was 90% bonds and 10% cash. It managed $21 million in bond index funds.

Clients include Le Groupe Commerce and Toronto Metro.

Gary Gilmore, president, and David Baker, vice president, are chief investment officers and client contacts.

### Amalgamated Bank of New York

*11-15 Union Square West, New York, N.Y. 10003; (212) 255-6200*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,000,000,000 |
| Separate | $2,000,000,000 |
| Mortgage-backed assets managed | $175,000,000 |
| Tax-exempt clients | 121 |
| Types of accounts managed | J |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

Amalgamated Bank of New York is an active fixed-income manager, emphasizing interest rate anticipation.

It seeks to generate attractive current income, avoid losses and protect the assets during troubled markets.

The asset mix Jan. 1 was 86% bonds, 5% cash and 9% mortgage-backed securities.

Clients include ILGWU National Retirement Fund, National Pension Fund for Hospital and Health Care Employees and the National Maritime Union Pension Trust.

Richard Cohen, first vice president and senior trust officer, is chief investment officer and client contact.

### Amalgamated Trust & Savings Bank

*1 West Monroe St., Chicago, Ill. 60603; (312) 822-3173*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed: | |
| Total | $195,000,000 |
| Separate | $195,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| Tax-exempt clients | 42 |
| Types of accounts managed | CJ |

Amalgamated Trust & Savings Bank is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation, Graham & Dodd and market timing, emphasizing value selection and a market-driven selling discipline.

Its fixed-income approach is passive and uses interest rate anticipation. High quality, current income and maturity balance are emphasized.

Options are used.

The asset mix Jan. 1 was 10% stocks, 55% bonds, 30% cash and 5% mortgage-backed securities.

The parent company is Amalgamated Trust & Savings Bank. Total assets under management by the parent, subsidiaries and affiliates are $250 million.

Michael M. Karnes, vice president and trust investment officer, is chief investment officer and client contact.

### AMB Investments

*345 California St., 29th Floor, San Francisco, Calif. 94104; (415) 956-5100*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $30,000,000 |

AMB Investments is a real estate manager.

It uses separate accounts only. Properties are in major markets in the West, with an emphasis on substantially leased industrial, retail and office properties between $5 million and $25 million.

Douglas D. Abbey is client contact.

### Ambs Investment Counsel

*1501 McKay Tower, Grand Rapids, Mich. 49503; (616) 454-4535*

| | |
|---|---|
| Total assets managed | $118,000,000 |
| Tax-exempt assets managed | $66,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CEF |
| Minimum separate account | $250,000 |

Ambs Investment Counsel Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stock, low p/e and Graham & Dodd principles. Criteria for stock selection are reasonable financial quality; relative near-term (six to 12 months) EPS momentum; and below-market p/e
on anticipated earnings.

Its fixed-income approach is passive. Substitutions, swaps and reversals are based on yield curve value.

The asset mix Jan. 1 was 47.5% stocks, 39.4% bonds and 13.1% cash.

Clients include Christian School pension plan and Grand Transformers profit-sharing plan.

Keith L. Ambs, president, is chief investment officer and client contact.

### Am Cal Co.

*4730 Woodman Ave., No. 220, Sherman Oaks, Calif. 91423; (818) 990-3250*

| | |
|---|---|
| Total assets managed | $406,000,000 |
| Tax-exempt assets managed | $406,000,000 |
| Real estate assets managed | $406,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | JG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Am Cal Co. is a real estate manager.

Its real estate approach emphasizes cash-on-cash return to exceed 12-year Treasuries and 150 basis points with preservation of capital through appreciation in value to exceed the inflation rate by 3%.

The asset mix Jan. 1 was 58% equity real estate, 40% mortgages and 2% pooled equity real estate.

Clients include Missouri State Employees, Hawaii Masons, Southern Electrical and Southern California Carpenters.

James B. McKenna, president, is chief investment officer. S.Q. DellaGrotta, executive vice president, is client contact.

### American Agricultural Investment Management

*2603 W. 22nd St., Suite 17, Oak Brook, Ill. 60521; (312) 571-6616*

| | |
|---|---|
| Total assets managed | $14,000,000 |
| Tax-exempt assets managed | $7,000,000 |
| Real estate assets managed | $7,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

American Agricultural Investment Management Co. Inc. is a farmland manager.

Its approach is to select prime income-producing farmland, diversified geographically and by commodity, in five selected agricultural areas.

All tax-exempt assets were in farmland as of Jan. 1.

Clients include Owens-Illinois and Teamsters Affiliates, Washington.

H. Joseph Bourn, president, is chief investment officer and client contact.

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The investment consultants directory will run Nov. 16.

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AXE CASTLE, TARRYTOWN, N Y 10591

### American Asset Management Co.

*200 Public Square, Cleveland, Ohio 44114-2301; (216) 781-8899*

| | |
|---|---|
| Total assets managed | $353,000,000 |
| Tax-exempt assets managed | $133,000,000 |
| Tax-exempt clients | 58 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |

American Asset Management Co. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes low p/e and Graham & Dodd strategies.

Its fixed-income approach is passive with no securities purchased with maturities greater than 10 years.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

Clients include Oglebay Norton, Centerior Energy, Blue Cross of Ohio and Denison University.

Joseph H. Thomas and James Difiore are chief investment officers. Mr. Thomas is client contact.

**Key to abbreviations**

**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)

### American Capital Management Inc.

*90 Broad St., New York, N.Y. 10004; (212) 344-3300*

| | |
|---|---|
| Total assets managed | $43,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

American Capital Management Inc. is an equity manager that emphasizes investments in smaller growth companies with accelerating earnings momentum that appear undervalued and average $130 million in revenues. It looks for growth, profitability and financial strength.

Its fixed-income approach uses interest rate anticipation; investments are tailored to secular movements of inflation and lending rates with emphasis on short or long term.

Luke P. LaValle Jr. is chief investment officer and client contact.

### American Capital Management & Research

*2800 Post Oak Blvd., Houston, Texas 77056; (713) 993-4247*

| | |
|---|---|
| Total assets managed | $17,047,000,000 |
| Tax-exempt assets managed | $3,068,000,000 |
| 401(k) assets managed | $53,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CEJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 9 |

American Capital Management & Research Inc. is an equity, fixed-income, balanced and GIC manager.

Its equity approach encompasses passive, growth stock, emerging growth, low p/e, sector rotation, Graham & Dodd and market timing techniques. The wide variety of investment styles allows for greater equity portfolio diversification.

Its fixed-income approach uses passive techniques, interest rate anticipation and sector analysis. It frequently has a strong current yield component.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 50% stocks and 50% bonds.

The 401(k) assets under management include nine plans over $1 million.

The parent company is American Can Co.

Don G. Powell, president and chief executive officer, is chief investment officer. Michael A. Meagher is client contact.

### American Express Asset Management

*30 Monument St., London, England EC3R 8 LH; 01-626-9131*

| | |
|---|---|
| Total assets managed | $1,597,000,000 |
| Tax-exempt assets managed | $330,000,000 |
| International assets managed | $330,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CF |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 4 |

American Express Asset Management is an international manager.

Its equity approach is thematic, identifying global investment themes or forces and use valuation screens to select attractively priced companies benefiting from these themes.

Its fixed-income approach is based on active currency and interest rate management. Returns in four major currency blocks are forecast to take significant currency and interest rate bets, carefully controlling risk-and-return tradeoffs.

Currency options are used.

The asset mix Jan. 1 was 97% stocks and 3% bonds.

The parent company is Shearson Lehman Brothers, a unit of American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140 billion.

Karl Van Horn, chairman, is chief investment officer. The client contact is Susan Leader, director of marketing, 375 Park Ave., Suite 1407, New York, N.Y. 10022; (212) 415-0802.

### American Fund Advisors

*50 Broad St., New York, N.Y. 10004; (212) 482-8100*

| | |
|---|---|
| Total assets managed | $152,000,000 |
| Tax-exempt assets managed | $13,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

American Fund Advisors Inc. is an equity and balanced manager.

Its equity approach emphasizes emerging growth stocks analyzed through Graham & Dodd principles. It has a value orientation, emphasizing technology and aviation. The focus is on cash flow and margin normalization. Options are used.

Its fixed-income approach is passive. Investments are a function of objectives in balanced accounts. It also uses convertible securities and some high-yield bonds as equity substitutes.

The asset mix Jan. 1 was 84% stocks, 9% bonds and 7% cash.

Clients include Continental Telephone System and Charles Alan Inc.

Barry J. Gordon, president, is chief investment officer and client contact.

### American Investment Managers Inc.

*107 N. Adams St., Rockville, Md. 20850; (301) 251-1002*

| | |
|---|---|
| Total assets managed | $75,000,000 |
| Tax-exempt assets managed | $60,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

American Investment Managers Inc. is a yield-oriented equity manager.

Its equity approach is quantitative, maintaining a yield of 1% to 1.5% above the market while investing in stocks with a projected dividend growth rate to maximize total return.

The asset mix Jan. 1 was 97.4% stocks and 2.6% cash.

It follows 150 stocks closely and 700, generally; 90% of research is generated internally.

Gordon B. Lamb, president, is chief investment officer and client contact.

### American National Bank & Trust Co. of Chicago

*33 N. LaSalle St., Chicago, Ill. 60690; (312) 661-5870*

| | |
|---|---|
| Total assets managed | $11,025,000,000 |
| Tax-exempt assets managed: | |
| Total | $10,100,000,000 |
| 401(k) and 457 assets managed | $115,000,000 |
| International assets managed | $22,000,000 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 11 |

American National Bank & Trust Co. of Chicago is an equity, fixed-income, balanced and international manager.

Its equity approach offers broad diversification through passive management and provides superior perfor


Who offers your defined contribution plan participants the flexibility of daily telephone transfers between funds?

The same company who offers superior investment performance.

As a leading provider of 401(k) and other defined contribution plan services to more than 1,000 corporations across the country, Fidelity Investments offers a wide range of investment management and client services designed to meet the needs of both you and your employees.

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For more information about Fidelity's defined contribution plan services, including fund prospectuses covering management fees and expenses, please call Jeffrey Paster, Corporate Market Manager, at 1-800-345-5033. In Massachusetts, call collect 617-570-5692.

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Atlanta, Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, New York, Philadelphia, San Francisco, Sarasota

mance via enhanced index capabilities.

Its fixed-income approach is passive and its investment philosophy duplicates its equity methods.

The asset mix Jan. 1 was 88% stocks, 10% bonds and 2% cash.

There was $22 million in foreign stocks, $8.25 billion in equity index funds and $1.2 billion in bond index funds.

It follows 150 stocks closely and 1,000, generally; 75% of the firm's research is generated internally.

American National Corp. is the parent company.

Clients include NYNEX, Illinois Teachers, Central States Teamsters and DePaul University.

John R. Tilton is chief investment officer. Jim Kartalia, director of marketing, is client contact.

The largest real estate advisers will be profiled in the Sept. 21 issue.

*John Klett*
*American Nat'l Bank, St. Paul*

### American National Bank and Trust Co. of St. Paul

*Fifth & Minnesota Streets, St. Paul, Minn. 55101; (612) 298-6274*

| | |
|---|---|
| Total assets managed | $215,000,000 |
| Tax-exempt assets managed: | |
| Total | $80,000,000 |
| Commingled | $52,000,000 |
| Separate | $28,000,000 |
| 401(k) and 457 assets managed | $13,000,000 |
| Tax-exempt clients: | |
| Commingled | 80 |
| Separate | 14 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

American National Bank and Trust Co. of St. Paul is an equity, fixed-income and balanced manager.

In equities, it takes a value, low p/e, high-dividend approach that is somewhat contrarian and uses disciplined computer-based management.

Bonds are managed actively using interest rate projections.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

The parent company is American Bancorporation Inc. Assets under management by the parent, subsidiaries and affiliates total $250 million.

John Klett, vice president, is chief investment officer. William Burmeister, assistant vice president, is client contact.

### American Pension Management

*177 Soundview Ave., White Plains, N.Y. 10602; (914) 428-3378*

| | |
|---|---|
| Total assets managed | $137,000,000 |
| Tax-exempt assets managed | $137,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

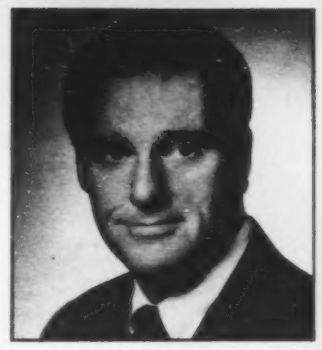
American Pension Management is an equity, fixed-income and balanced manager. Its equity approach is quantitative, using Graham & Dodd and market timing techniques with growth and emerging growth stocks. Its fixed-income approach is passive.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 78% stocks, 10% bonds and 12% cash.

The firm follows 268 stocks closely and 2,500, generally. All research is generated internally.

Jack R. Orben is chief investment officer and client contact.



*Richard C. Hyde*
*AmeriTrust Co.*

### AmeriTrust Co.

*900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-4089*

| | |
|---|---|
| Total assets managed | $11,177,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,965,000,000 |
| Commingled | $915,000,000 |
| Separate | $5,050,000,000 |
| 401(k) and 457 assets managed | $393,000,000 |
| Real estate assets managed | $13,000,000 |
| Mortgage-backed assets managed | $100,000,000 |
| International assets managed | $40,000,000 |
| Tax-exempt clients: | |
| Commingled | 200 |
| Separate | 182 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 10 |

AmeriTrust Co. is an equity, fixed-income, balanced, real estate, international and convertible securities manager.

Its equity approach emphasizes broadly diversified portfolios consisting of low p/e issues whose dividend return and fundamental value will provide superior long-term returns while limiting downside risk.

Its fixed-income approach, based on interest rate anticipation, stresses quality and maturity structure so portfolios generally will have low volatility. Trading focuses on yield pickups where quality can be maintained.

Its real estate fund selects properties based on the adequacy of the current return.

The asset mix Jan. 1 was 65% stocks, 28% bonds and 7% cash; $40 million was in foreign stocks and $100 million in dedicated or immunized portfolios.

There were 24 401(k) and 457 plan clients.

The parent is AmeriTrust Corp.

Richard C. Hyde, executive vice president, is chief investment officer. Gary W. Queen, senior vice president, is client contact.

### AMEV Asset Management

*1 World Trade Center, Suite 5001, New York, N.Y. 10048; (212) 775-9100*

| | |
|---|---|
| Total assets managed | $1,600,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| 401(k) assets managed | $15,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

AMEV Asset Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd and sector rotation. It emphasizes stocks with above-average growth and returns on equity, high-market capitalization and below-average price-earnings ratios.

Its fixed-income approach emphasizes fundamental valuation on an after-tax return considering duration over all market sectors and implemented with active trading strategies.

Its asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

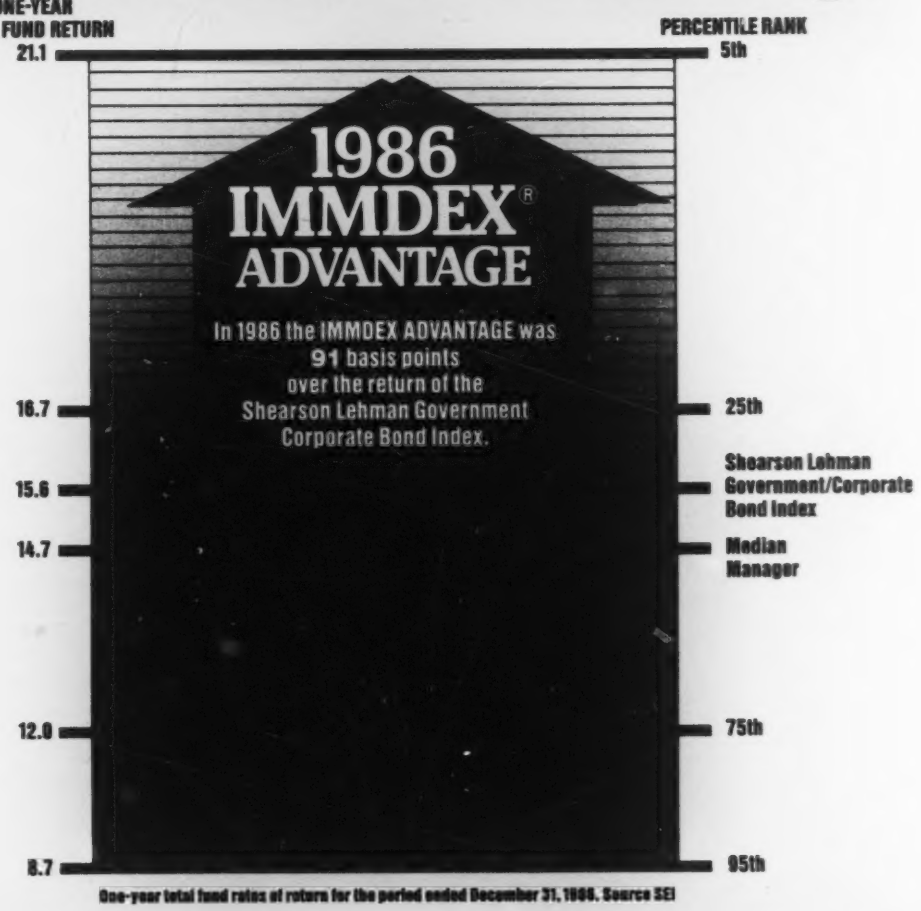
There are three 401(k) clients.

The parent company is AMEV Holdings Inc. Total assets under management by the parent company, subsidiaries and affiliates are $2.2 billion.

H. Carroll Mackin, president, is chief investment officer. Margaret S. Scott, vice president, and Mark S. Griffith, senior vice president, are client contacts.

Cash management survey: Nov. 2.


# Bond Indexation with the IMMDEX advantage




One-year total fund rates of return for the period ended December 31, 1986. Source SEI

**The Shearson Lehman Government/Corporate Bond Index has provided superior performance when compared to active fixed income managers. The Index has consistently provided first or strong second quartile returns over multiple time periods.**

**Immdex is a unique bond management system in which the annual return will match or exceed the index rate of return.**

**Immdex accomplishes this objective through two strategies:**

- **The index rate of return is achieved through a proprietary duration-matching strategy.**
- **Immdex capitalizes on market opportunities to further enhance total return.**

**First Wisconsin Trust Company is a leader in the area of quantitative fixed income management and we believe that the Immdex advantage will prove to be an attractive alternative to your current bond management approach.**

**Let us review how Immdex provides positive tracking to the Shearson Lehman Government/ Corporate Bond Index and enhanced market returns through the use of bond management techniques. Call or write Charles Groeschell at First Wisconsin Trust Company, First Wisconsin Center, Box 2054, Milwaukee, Wisconsin 53201. (414) 765-4789.**

FIRST WISCONSIN TRUST COMPANY

## Amivest Capital Management

*767 Fifth Ave., 27th Floor, New York, N.Y. 10153; (212) 688-6667*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed | $389,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Amivest Capital Management is an equity, fixed-income and balanced manager.

Its equity approach relies on Graham & Dodd analysis, with asset allocation determined by the firm's economic and investment projections.

In fixed income, the firm uses interest rate anticipation.

The asset mix Jan. 1 was 61% stocks, 31% bonds and 8% cash.

It follows 500 stocks generally; 50% of research is internally generated.

Clients include Ironworkers, New York Trades Council and New York Machinists.

Emmanuel Sella is chief investment officer. Leonard N. Grimaldi, senior vice president, is client contact.

## AmSouth Bank

*P.O. Box 11426, Birmingham, Ala. 35202; (205) 326-5436*

| | |
|---|---|
| Total assets managed | $4,455,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,308,000,000 |
| Commingled | $362,000,000 |
| Separate | $1,946,000,000 |
| 401(k) assets managed | $150,000,000 |
| Tax-exempt clients: | |
| Commingled | 760 |
| Separate | 205 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 15 |

AmSouth Bank is an equity, fixed-income and balanced manager.

Its equity approach is that of a value investor, capitalizing on cyclical movements in stock prices. It seeks stocks that are mispriced relative to long-term value.

Its fixed-income approach uses interest rate anticipation, capitalizing on broad, cyclical movements.

The asset mix Jan. 1 was 36% stocks, 53% bonds, 7% cash and 4% miscellaneous.

There are 25 401(k) clients.

Seventy-five stocks are followed closely and 194, generally. AmSouth generates 35% of research internally.

The parent company is AmSouth Bancorporation.

Clients include Southern Co. and BellSouth.

John H. Goff Jr., senior vice president and senior trust investment officer, is chief investment officer and client contact.

## Analytic Investment Management Inc.

*2222 Martin St., Suite 230, Irvine, Calif. 92715-1454; (714) 833-0294*

| | |
|---|---|
| Total assets managed | $1,209,000,000 |
| Tax-exempt assets managed | $1,187,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 3 |

Analytic Investment Management Inc. is an equity and fixed-income manager. It also offers options overwriting.

Its equity approach is quantitative and uses growth stocks. The firm constructs diversified portfolios, hedging them with options, futures and convertible securities to reduce market volatility and increase long-term return.

For fixed income, it constructs portfolios of federal government issues and related derivative securities, including futures, options and options on futures. Hedged positions are used to limit risk and boost return.

The asset mix Jan. 1 was 94% stocks and 6% bonds.

The firm follows 250 stocks closely and 500, generally. All research is generated internally.

The parent company is United Asset Management. Total assets under management by the parent company, subsidiaries and affiliates is $17.824 billion.

Clients include Eastman Kodak, Houston Municipal Employees, Central Laborers and Vanderbilt University.

Sheen Kassouf, president and chairman of the board, is chief investment officer. Kevin T. Hamilton, vice president, is client contact.

## Anchor Capital Advisors Inc.

*1 Post Office Square, Boston, Mass. 02109; (617) 423-9336*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $90,000,000 |
| Tax-exempt clients | 58 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Anchor Capital Advisors Inc. is an equity and balanced manager.

Its equity approach emphasizes Graham & Dodd strategies in a selection process oriented to identify and invest in securities in the lower-valuation spectrum.

Its fixed-income approach focuses on interest rate anticipation and special situation investing.

The asset mix Jan. 1 was 60% stocks, 22% bonds and 18% cash.

Mark V. Rickabaugh, executive vice president, is chief investment officer. William P. Rice, president, is client contact.

## Andron Cechettini & Associates

*P.O. Box 1059, Lafayette, Calif. 94549; (415) 283-5920*

| | |
|---|---|
| Total assets managed | $80,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Andron Cechettini & Associates is an equity manager.

Its equity approach emphasises emerging growth stocks. The firm's investment objective is to achieve maximum long-term capital growth for its clients by investing in pre-emerging, rapidly growing public companies.

The asset mix Jan. 1 was 90% stocks and 10% cash.

Clients include W.R. Grace, University of California-Santa Barbara Foundation, Western Airlines and Bay Alarm Co.

Jonathan Andron, vice president, is chief investment officer and clnient contact.

## Anhalt/O'Connell Inc.

*345 S. Figueroa St., Suite 303, Los Angeles, Calif. 90071; (213) 622-0066*

| | |
|---|---|
| Total assets managed | $638,000,000 |
| Tax-exempt assets managed | $638,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |

Anhalt/O'Connell Inc. is a fixed-income manager. Its approach uses fundamental data to identify interest rate trends and appropriate maturities. Put and call options are used as enhancements. Its active style uses Treasury securities exclusively.

The asset mix Jan. 1 was 100% bonds.

All research is generated internally.

Paul Anhalt and Michael O'Connell, principals, are chief investment officers. Ross B. McAdam, managing director, is client contact.

## Argus Investment Management Inc.

*1200 Quail St., Suite 270, Newport Beach, Calif. 92660; (714) 851-1778*

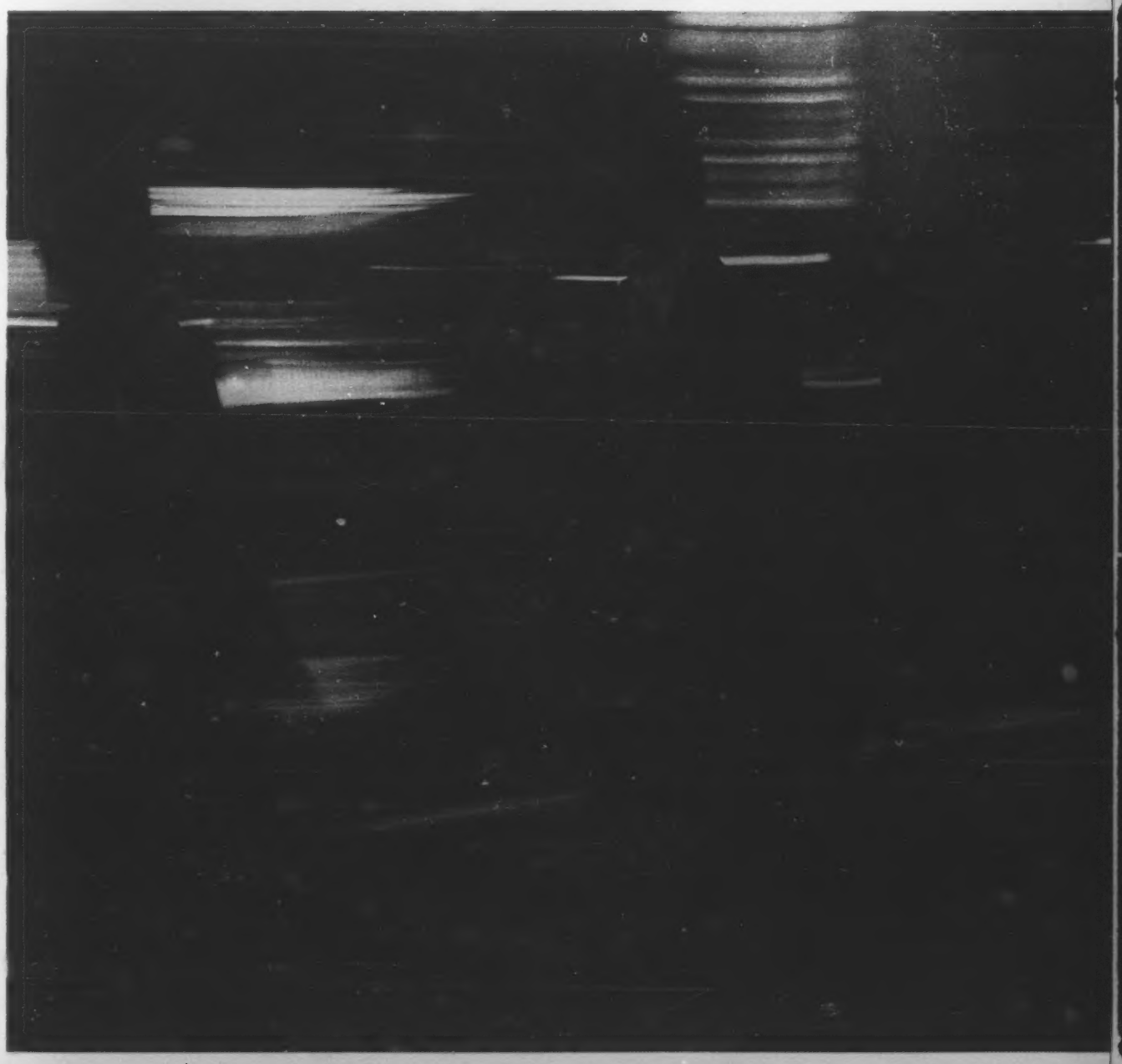
| | |
|---|---|
| Total assets managed | $168,000,000 |
| Tax-exempt assets managed | $81,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 55 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

Argus Investment Management Inc. is an equity and balanced manager.

The equity approach is geared toward fundamental value. It seeks signs of opportunities such as insider accumulation, favorable technical profiles and modest institutional ownership.

Using U.S. government and high-quality corporates, its fixed-income ap-

BellSouth



proach anticipates trends in prices on interest rate and credit cycle analyses.

The asset mix Jan. 1 was 74% stocks, 9% bonds and 17% cash.

The parent company is Argus Research Group Inc. Assets under management by the parent, subsidiaries and affiliates total $698 million.

R. Kelly Kelly is the chief investment officer. Marc Kelly and Jon Bull are client contacts.

### Argus Investors' Counsel

*42 Broadway, New York, N.Y. 10004; (212) 425-7500*

| | |
|---|---|
| Total assets managed | $530,000,000 |
| Tax-exempt assets managed | $450,000,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 25 |

Argus Investors' Counsel Inc. is an equity, fixed-income, balanced and options manager.

Its equity approach is highly diversified, oriented toward large-cap and quality stocks. It has a strong buy/sell discipline. Options are used.

Its fixed-income approach uses quality bonds with diversified, well-spaced maturities. Average maturity is 14 to 18 years.

The asset mix Jan. 1 was 98% stocks, 1% bonds and 1% cash.

The firm follows 400 stocks closely and 600, generally. All research is generated internally.

The parent company is Argus Research Group. Assets under management by the parent, subsidiaries and affiliates total $698 million.

Clients include the United Mine Workers and the Ritter Foundation.

Herman I. Ruseman, president, is chief investment officer. Robert P. Groesbeck, vice president, is client contact.

### Ariel Capital Management

*307 N. Michigan Ave., Chicago, Ill. 60601; (312) 726-0140*

| | |
|---|---|
| Total assets managed | $112,000,000 |
| Tax-exempt assets managed | $108,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Ariel Capital Management Inc. is an equity manager using Grahaam & Dodd analysis with growth and low p/e stocks. It seeks undervalued companies with p/es of less than 11 and the potential to grow at 15% or more annually.

The tax-exempt asset mix Jan. 1 was 83% stocks and 17% cash.

Ariel follows 60 stocks closely and 90, generally; 95% of research is generated internally. Clients include the University of Michigan, Peoples Energy and Illinois Teachers.

John W. Rogers Jr. is chief investment officer. Darice Wright, director of marketing and client services, is client contact.

The cash management survey will be published in the Nov. 2 issue.

### Ariston Capital Management

*12301 N.E. 10th Place, Suite 250, Bellevue, Wash. 98005; (206) 454-1600*

| | |
|---|---|
| Total assets managed | $34,000,000 |
| Tax-exempt assets managed | $19,000,000 |
| Tax-exempt clients | 75 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 4 |

Ariston Capital Management Corp. is a balanced and convertible securities manager.

Its investment approach combines growth and emerging growth and low p/e stocks with sector rotation and long-term market forecasting. The firm uses undervalued convertibles as a low-risk alternative to the equity market.

Its fixed-income approach is driven by interest rate anticipation.

The asset mix Jan. 1 was 40% cash and 60% convertible securities.

Richard B. Russell, president, is chief investment officer. Frederick L. Denman, associate, is client contact.

### Armour, Douglas Capital Management Inc.

*60 E. 42nd St., New York, N.Y. 10165; (212) 661-0140*

| | |
|---|---|
| Total assets managed | $16,000,000 |
| Tax-exempt assets managed | $16,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |

Armour, Douglas Capital Management Inc. is an equity manager.

Its equity approach stresses low p/e stocks and convertibles, primarily of undervalued companies.

The asset mix Jan. 1 was 60% stocks and 40% convertible securities.

Options are used.

It follows 50 stocks closely, 2,000 generally; 80% of the research is generated internally.

Richard D. Young is chief investment officer; Peter A. Lareau is client contact.

### Aronson & Fogler

*230 S. Broad St., 20th Floor, Philadelphia, Pa. 19102; (215) 546-7500*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |

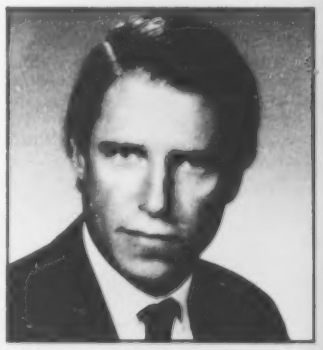
Aronson & Fogler is an equity manager following a low p/e, quantitative and super-diversified approach. The model-driven philosophy emphasizes classical security analysis; decision-making is computerized with the goal of pure stock selection.

All assets were in stocks Jan. 1.

The firm follows 1,500 stocks closely and 6,500, generally; all research is generated internally.

Clients include University of Southern California, The Common Fund and Wesley Medical Endowment Foundation.

Theodore R. Aronson and H. Russell Fogler, partners, are chief investment officers. Mr. Aronson is client contact.



*Terence W. Collins*
*ASB Capital Management*

### ASB Capital Management

*655 15th St. N.W., Suite 800, Washington, D.C. 20005; (202) 383-5389*

| | |
|---|---|
| Total assets managed | $5,181,000,000 |
| Tax-exempt assets managed | $4,654,000,000 |
| 401(k) assets managed | $15,000,000 |
| Real estate assets managed | $150,000,000 |
| Mortgage-backed assets managed | $232,000,000 |
| Tax-exempt clients | 385 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 8 |

ASB Capital Management Inc. is an equity, fixed-income, balanced and real estate manager.

It combines sector rotation, Graham & Dodd, market timing and valuation screens and models in its bottom-up approach, seeking undervalued securities and sectors.

The fixed-income approach combines interest rate anticipation, maturity and sector shifts, swaps and arbitrage and timely selection of new or undervalued issues. Options are used.

For real estate, it invests in high-quality, income-producing properties constructed with union labor, through participating and convertible mortgages and joint ventures.

The asset mix Jan. 1 was 30%


# IS where the action is.

It's happening now. It's happening fast. It's economic growth and business opportunities. And it's all happening in the nine Southeastern states of the BellSouth region.

In ten years, population will boom at a rate 44% faster than the rest of the nation; new jobs will be created at a rate 20% faster than the national average.

In ten years, there will be over 4 million new housing starts and about 4 million new jobs. Real personal income in the region will rise by 2.9% per year, compared to 2.7% for the nation.

The BellSouth management team is prepared to capitalize on this growth. They're committed to forward-looking business strategies and new technologies. And they're determined to stay ahead of the growing need for state-of-the-art products and services to meet customer needs in an expanding marketplace.

Selective acquisitions are a part of BellSouth's growth plans. BellSouth is already involved in new business opportunities that will lead to even greater revenues nationally and internationally.

BellSouth not only is in the midst of the action but is helping to make it happen.

To learn more about BellSouth, contact your broker or write: L.E. Spradlin, Director of Investor Relations, BellSouth Corporation, 675 West Peachtree Street, N.E., Atlanta, Georgia 30375, 404-420-8136.

The BellSouth family of companies provides telecommunications, information systems and publishing services through South Central Bell, Southern Bell, BellSouth Services and BellSouth Enterprises.

BELLSOUTH

Shaping the future of telecommunications.℠

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stocks, 51% bonds, 11% cash, 3% equity real estate and 5% mortgage-backed securities. It managed $401 million in equity index funds.

The parent company is American Security Corp. Assets under management by the parent, subsidiaries and affiliates total $5.181 billion.

Terence W. Collins is president and chief investment officer. John M. Brusnighan, vice president and director of marketing, is client contact.

### Ashfield/Pacific Asset Management

*750 Battery St., Suite 700, San Francisco, Calif. 94111; (415) 391-4747*

| | |
|---|---|
| Total assets managed | $455,000,000 |
| Tax-exempt assets managed | $170,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Ashfield/Pacific Asset Management is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stocks with investments concentrated in small and medium-sized companies with accelerating earnings trends and consistently high returns on assets and equity. Purchase and sale disciplines emphasize relative p/e ratios.

Its fixed-income approach is passive and based upon relative value in attractive market sectors. Strategy emphasizes economic and interest rate cycles, liquidity and the yield curve.

The asset mix Jan. 1 was 55% stocks, 40% bonds and 5% cash.

J. Stephen Thornborrow is chief investment officer. J. Stephen Lauck and Andrew F. Mathieson are client contacts.

### Ashland Management

*26 Broadway, New York, N.Y. 10004; (212) 425-2803*

| | |
|---|---|
| Total assets managed | $508,000,000 |
| Tax-exempt assets managed | $430,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |

Ashland Management is an equity manager, using growth stock and low p/e stocks.

It takes a value-oriented approach, with all decisions based on reported financial information. Equity investments are substantially reduced when market returns on equity are not competitive with risk-free investments.

The asset mix Jan. 1 was 97% stocks and 3% cash.

The firm follows 200 stocks closely and 1,200, generally; 90% of research is generated internally.

Clients include Barker Welfare, Watkins-Johnson, Dayton Hudson and Memphis Light & Gas.

Charles C. Hickox, chairman, is chief investment officer. Minot Amory, director, is client contact.

The treasury management services directory will be published Aug. 10.

### Asset Management Associates

*1 Financial Place, 17 Front St., Salem, Mass. 01970; (617) 744-6001*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| Real estate assets managed | $3,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Asset Management Associates is an equity, fixed-income, balanced and real estate manager.

Its equity approach applies sector rotation, market timing and quantitative techniques to growth, emerging growth and low p/e stocks.

Its fixed-income approach uses interest rate anticipation.

In real estate, the firm customizes and analyzes small, value-oriented properties in emerging growth areas for income and appreciation.

The asset mix Jan. 1 was 75% stocks, 3% bonds, 2% cash and 20% equity real estate.

Frederick V. McDonald Jr. is chief investment officer. Linda Parsons is client contact.

### Associated Kellogg Bank

*200 N. Adams, P.O. Box 19006, Green Bay, Wis. 54307; (414) 433-3131*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 5 |

Associated Kellogg Bank is an equity, fixed-income and balanced manager.

Its equity approach uses growth stock and tends to be conservative, although there are two speculative funds.

Its fixed-income approach is passive and conservative. It avoids volatility with relatively short maturities.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

The parent company is Associated Banc-Corp. Total assets under management by the parent, subsidiaries and affiliated companies are $1.4 billion.

Wilson Roane, vice president, is chief investment officer. Richard Langer, vice president-pension division, is client contact.

### Astrop Advisory Corp.

*5 Piedmont Center, Suite 417, Atlanta, Ga. 30305; (404) 239-0707 or (800) 237-7073*

| | |
|---|---|
| Total assets managed | $527,000,000 |
| Tax-exempt assets managed | $320,000,000 |
| Tax-exempt clients | 53 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Astrop Advisory Corp. is an equity and balanced manager.

It combines growth and emerging growth stock in its equity approach. Its established-growth approach invests in larger-cap companies, and its emerging-growth approach, smaller companies. The firm sponsors and manages no-load mutual funds.

Its fixed-income approach is passive, focusing on interest rate anticipation.

Its asset mix Jan. 1 was 70% stocks, 16% bonds, 10% cash and 4% no-load mutual funds.

The firm generates 45% of research internally.

Clients include CIBA-Geigy, Rhodes, The Allen Group and Georgia-Pacific.

H. Eugene Caldwell, president, is chief investment officer. Dixie P. Anderson, executive vice president, is client contact.

### Atalanta/Sosnoff Capital

*499 Park Ave., New York, N.Y. 10022; (212) 755-2800*

| | |
|---|---|
| Total assets managed | $3,330,000,000 |
| Tax-exempt assets managed | $3,116,000,000 |
| 401(k) assets managed | $7,000,000 |
| Tax-exempt clients | 118 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

Atalanta/Sosnoff Capital Corp. is an equity and balanced manager.

Its equity approach combines low p/e stocks and sector rotation. Managing portfolios in a pragmatic and disciplined way, it focuses on achieving absolute rates of return.

Its fixed-income approach uses interest rate anticipation and sector analysis. The firm avoids concentration in longer maturities.

The asset mix Jan. 1 was 92% stocks, 5% bonds and 3% cash.

There is one 401(k) client. The firm follows 150 stocks closely and 600, generally; 80% of research is generated internally.

Total assets under management by the firm and its subsidiaries and affiliates are $3.475 billion.

Clients include Levi Strauss, Tektronix, Kraft and Philadelphia.

Martin T. Sosnoff, chairman and chief executive officer, is chief investment officer. Laura A. Steele, director of client service, is client contact.


What Wall Street could have learned from the garment district

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## Profiles

### Atlanta Capital Management
*1360 Peachtree St., No. 1600, Atlanta, Ga. 30309; (404) 876-9411*

| | |
|---|---|
| Total assets managed | $1,354,000,000 |
| Tax-exempt assets managed | $1,231,000,000 |
| Mortgage-backed assets managed | $33,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 9 |

Atlanta Capital Management Co. is an equity, fixed-income and balanced manager.

Its equity approach focuses on growth stock, looking for high-quality, above-average profitability and a growing stream of earnings. The firm uses a disciplined approach for comparing company worth to stock price.

Its interest rate anticipation approach to fixed income is highly disciplined, using A or better securities and maturity optimization.

The asset mix Jan. 1 was 76% stocks, 15% bonds, 6% cash and 3% mortgage-backed securities. The firm also managed $13 million in dedicated or immunized bonds.

Atlanta Capital follows 150 stocks closely and 300, generally; 70% of research is internally generated.

Clients include American Airlines, Miami, Maryland and Northeast Utilities.

Frederick L. Muller, president, is chief investment officer. J. Robert Douglas, managing director, is client contact.

### Avatar Associates
*900 Third Ave., New York, N.Y. 10022; (212) 753-7710*

| | |
|---|---|
| Total assets managed | $900,000,000 |
| Tax-exempt assets managed | $600,000,000 |
| 401(k) assets managed | $30,000,000 |
| Tax-exempt clients | 70 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Avatar Associates is an equity and balanced manager.

Its equity approach uses active asset allocation, altering equity exposure to changes in stock market risk. Accounts utilize individual stocks and cash; index fund and cash fund; or only futures to hedge other equity assets.

Its fixed-income approach uses interest rate anticipation. This portion of balanced accounts utilize primarily U.S. government securities of intermediate maturities that are shifted, based on interest rate trends.

The asset mix Jan. 1 was 90% stocks and 10% cash.

There are three 401(k) clients.

Stock index futures are used.

Clients include K mart Corp., Boston Edison, CIBA-Geigy and Lear Siegler.

Edward S. Babbitt Jr., president, is chief investment officer. Bruce L. Poliquin, vice president, is client contact.

### Axe-Houghton Management
*Axe Castle, 400 Benedict Ave., Tarrytown, N.Y. 10591; (914) 631-8131*

| | |
|---|---|
| Total assets managed | $968,000,000 |
| Tax-exempt assets managed | $433,000,000 |
| 401(k) assets managed | $16,000,000 |
| International assets managed | $40,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 8 |

Axe-Houghton Management Inc. is an equity, fixed-income, balanced, international and index manager.

It offers both active and passive equity approaches. Its active approach emphasizes low p/e, growth and emerging growth stocks and sector rotation.

It also offers domestic and international indexed equity management. Options are used.

In fixed-income, interest rate risk exposure is based on multi-scenario interest rate outlook; credit risk exposure is based on the size of available quality spreads and analysis of individual credits.

The asset mix Jan. 1 was 82% stocks, 12% bonds and 6% cash.

There was $40 million in foreign stocks and $225 million in equity index funds.

There were three 401(k) clients.

The parent company is USF&G Corp. Total assets under management by the parent company, subsidiaries and affiliates are $8.9 billion.

John L. Schroeder, chairman, is chief investment officer. Stephen J. Darby Jr., president, is client contact.

### J.H. Ayres & Co.
*2016 Condor St., Colorado Springs, Colo. 80909; (303) 635-1414*

| | |
|---|---|
| Total assets managed | $1,400,000,000 |
| Tax-exempt assets managed | $1,344,000,000 |
| Tax-exempt clients | 152 |
| Types of accounts managed | CE |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

J.H. Ayres & Co. had all of its tax-exempt assets in equity mutual funds as of Jan. 1.

The firm uses market timing. Its expertise centers on changes in Federal Reserve System monetary policy, based on the principle that an expanding economy creates a favorable climate for investments.

Changes in money flows precede or coincide with basic changes in stock and bond prices and business. Using this data, the firm alternates investments between equity mutual funds and money market mutual funds. The firm follows about 50 mutual funds.

Clients include Viterbo College and Looart Retirement Trust.

James H. Ayres, president, is chief investment officer and client contact.

**b**

*Thomas B. Kelley*
*BA Investment Management*

### BA Investment Management
*555 California St., San Francisco, Calif. 94104; (415) 622-8732*

| | |
|---|---|
| Total assets managed | $10,690,000,000 |
| Tax-exempt assets managed | $3,245,000,000 |
| Real estate assets managed | $66,000,000 |
| International assets managed | $18,000,000 |
| Tax-exempt clients | 27 |
| Types of accounts managed | CEFG |
| Minimum separate account | $0 |
| No. of portfolio managers | 16 |
| Size of research staff | 1 |

BA Investment Management Corp. is an equity, fixed-income, balanced and international manager.

Its equity approach uses growth stock with sector rotation. It emphasizes value-oriented situations with above-average S&P total expected return potential with a bias toward companies that exhibit superior growth and profit characteristics.

Its fixed-income passive approach offers defeasance, dedication, immunization and index programs; it is based on interest rate anticipation. Its active management consists of moderate adjustments in duration accompanied by an emphasis in security and sector shifts.

The asset mix Jan. 1 was 65% stocks and 35% bonds.

There was $66 million in equity real estate, $11 million in foreign stocks, $6.5 million in foreign bonds, $129 million in equity index funds, $108 million in bond index funds and $215 million in dedicated or immunized bond portfolios.

Options, stock index futures and bond index futures are used.

The parent company is BankAmerica Corp. Total assets under management by the parent company, subsidiaries and affiliates are $16.4 billion.

Thomas B. Kelley, chairman, is chief investment officer. Richard A. Frodsham, senior vice president-director of marketing, is client contact.

### BA Investment Management International Ltd.
*P.O. Box 262, 1 Watling St., London, England EC4P 4BX; 011-441-634-4000*

| | |
|---|---|
| Total assets managed | $1,392,000,000 |
| Tax-exempt assets managed: | |
| Total | $766,000,000 |
| Commingled | $58,000,000 |
| Separate | $708,000,000 |
| International assets managed | $766,000,000 |
| Tax-exempt clients: | |
| Commingled | 12 |
| Separate | 5 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |

BA Investment Management International Ltd. is a global and international manager.

Its equity approach is top-down, using emerging growth and low p/e stocks. Separate market, sector and currency decisions are based on fundamental analysis. Emphasis is on companies with improving margins, product innovations and expanding markets.

Its fixed-income approach uses interest rate anticipation. It takes a top-down approach with market, duration and currency decisions based on fundamental analysis. Managers do selective swaps between different sectors and borrowers.

The asset mix Jan. 1 was 10% foreign stocks and 90% foreign bonds.

The company is a subsidiary of BA Investment Management Corp., a unit of BankAmerica Corp. Total assets under management by the parent company, subsidiaries and affiliates are $16.4 billion.

Keith Brown, managing director, is chief investment officer. Francois Dennery, vice president, is client contact.

### David L. Babson & Co.
*1 Boston Place, Boston, Mass. 02108; (617) 723-7540*

| | |
|---|---|
| Total assets managed | $2,400,000,000 |
| Tax-exempt assets managed | $700,000,000 |
| Tax-exempt clients | 81 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 6 |

David L. Babson & Co. is an equity, fixed-income, balanced and international manager.

Its equity approach emphasizes growth and emerging growth stocks. Emphasis is on selection of reasonably valued, high-quality companies with the potential for above-average earnings growth.

Its fixed-income approach uses sector analysis, emphasizing high-grade, special value bonds, controlled maturity risk and active trading. Portfolios are actively managed to maximize total return.

International equity management is offered through Babson-Stewart Ivory International.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

It follows 200 stocks closely and 625, generally; 85% of research is generated internally.

Peter C. Thompson, president, is chief investment officer and client contact.

### Babson United Investment Advisors Inc.
*210 Newbury St., Boston, Mass. 02116; (617) 267-8855*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed | $700,000,000 |
| Tax-exempt clients | 400 |
| Types of accounts managed | CEFG |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 20 |
| Size of research staff | 35 |

Babson United Investment Advisors Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes Graham & Dodd principles and growth and low p/e stocks.

The strategy is to recommend a properly diversified portfolio of attractive securities in line with client objectives to be held for the longer term.

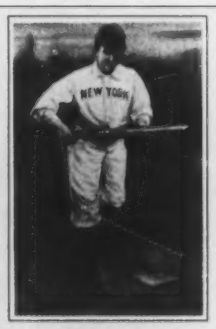
Its fixed-income approach uses interest rate anticipation. The aim is to provide the security of capital and level of income — market conditions considered — commensurate with the goals of the client.

The asset mix Jan. 1 was 74% stocks, 20% bonds and 6% cash.

A total of 250 stocks are followed closely and 800, generally; 80% of research is generated internally.

Donald G. Parsons is chief investment officer. Cassie M. Grant, senior vice president-sales, is client contact.

A special section on leasing will be published June 15.

**We don't try for home runs either.**

His name was Wee Willie Keeler, baseball's greatest place-hitter. Standing no taller than the batboy, his lifetime average of .345 remains today as one of the highest in baseball history. Yet in 17 seasons he managed to hit only 32 home runs. Some people say he never meant to hit any.

His approach to baseball was simple. Rather than go for the long ball, he just "hit 'em where they ain't." The result: 3 batting titles, an all-time major league record for most singles in a season with 202, and an entire season (564 at bats) without striking out once.

At Rampart, we don't try for homeruns either. Instead, we emphasize low risk, highly consistent returns, making use of option/equity skills that we've been developing for over a decade.

Unlike Wee Willie, we at Rampart will never make it to Cooperstown. But in our business, performance, not fame, is the name of the game.

RAMPART INVESTMENT MANAGEMENT COMPANY INC.

Providing unique option/equity programs for Institutional Investors.

Exchange Place, Boston 02109 (617) 742-7400

**We don't try for long shots either.**

His name was Walter Travis, the "Old Man" of golf. Though he did not pick up a bag of clubs until age 35, four years later he was among the most successful golfers in the world. His secret: Short, accurate drives and flawless putting.

This simple strategy helped him win every major amateur title in golf, including three times as National Champion, four times as Metropolitan Champion and once as winner of the prestigious British Amateur Tournament, the first non-British golfer ever to do so.

At Rampart, we don't try for long shots either. Instead, we emphasize low risk, highly consistent returns, making use of investment skills and options/futures hedging techniques that we've been developing for over a decade.

Unlike "Old Man" Travis, we at Rampart will never win national golf titles. But in our business, as in golf, consistency wins every time.

RAMPART INVESTMENT MANAGEMENT COMPANY INC.

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**We don't try for aces either.**

In an era when the overhand serve was still a thing of the future, Richard Sears reigned as King of the Court.

A slight, unlikely looking athlete, Sears made up for his lack of size by developing one of the most consistent ground games in tennis. The key to winning, he believed, was to keep the ball in play until either the opponent erred or until he had an opportunity at a put-away.

So superior was he to his contemporaries that from age 19 to 26, he never lost a single match, capturing the first seven U.S. Championships.

At Rampart, we don't rely on aces either. Instead, we emphasize low risk, highly consistent performance in the equity and fixed income markets, employing investment skills and options/futures hedging techniques that we've been developing for over a decade.

Unlike Richard Sears, we at Rampart will never win national titles. But in our business, as in tennis, consistency and patience are the name of the game.

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# Profiles

## Badgley & Phelps Inc.

*3206 Rainier Tower, Seattle, Wash. 98101; (206) 623-6172*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |

Badgley & Phelps Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stocks and high-quality securities individually managed in diversified balanced portfolios.

Its fixed-income approach is passive and has a laddered maturity schedule.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

It follows 80 stocks closely and 200, generally.

Warren Bell is chief investment officer. Pat Sullivan is client contact.

## Julius Baer Investment Management Inc.

*330 Madison Ave., New York, N.Y. 10017; (212) 949-9055*

| | |
|---|---|
| Total assets managed | $299,000,000 |
| Tax-exempt assets managed | $299,000,000 |
| International assets managed | $299,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 28 |

Julius Baer Investment Management Inc. is an international manager.

Its equity approach uses growth and low p/e stocks and sector rotation. Country allocations are based on expected total return, and stock selection emphasizes large, stable growth companies and industry trends.

In fixed income, it uses interest rate anticipation, sector analysis and currency mix. Currency weightings are based on total return forecasts, with or without hedging. Bond selection emphasizes government and high-quality issues with medium maturities.

The asset mix Jan. 1 was 13% stocks and 87% bonds.

The parent company is Baer Holding Ltd. Assets under management by the parent, subsidiaries and affiliates total $7 billion.

Peter Widmer, senior vice president, is chief investment officer. Jay Dirnberger, managing director, is client contact.

## Bailard Biehl & Kaiser

*951 Mariner's Island Blvd., San Mateo, Calif. 94404; (415) 571-5800*

| | |
|---|---|
| Total assets managed | $650,000,000 |
| Tax-exempt assets managed | $90,000,000 |
| 401(k) assets managed | $5,000,000 |
| Real estate assets managed | $7,000,000 |
| International assets managed | $17,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

Bailard Biehl & Kaiser is a fixed-income, balanced and international manager.

Its equity approach uses a Graham & Dodd and market timing approach. Portfolios are diversified in 10 economic sectors, buying industry leaders and stocks with low relative p/es.

Its fixed-income approach uses interest rate anticipation and sector analysis. The bond weighting may be raised above the 30% norm when stable to lower interest rates are predicted.

In real estate, it looks for syndicators with good track records.

The asset mix Jan. 1 was 28% stocks, 27% bonds, 10% cash, 7% real estate equity, 19% international and 9% gold stocks.

Ronald W. Kaiser, senior vice president, is chief investment officer. Brian E. Schaefer, vice president, is client contact.

## Baillie Gifford Overseas Ltd.

*2 Glenfinlas St., Edinburgh, Scotland EH12 6BY; 44-31-225-2581*

| | |
|---|---|
| Total assets managed | $2,600,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| International assets managed | $150,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 10 |

Baillie Gifford Overseas Ltd. is an international equity and balanced manager.

Its equity approach is based on growth stock and emerging growth. It seeks well-managed small and mid-size growth companies through fundamentally based asset allocation (top-down) and stock selection (bottom-up). Options are used.

All assets were in stocks Jan. 1.

It follows 500 stocks closely and 1,000, generally. Thirty percent of research is generated internally.

The parent company is Baillie Gifford & Co. Total assets under management by the parent company, subsidiaries and affiliates are $2.6 billion.

Gavin J.N. Gemmell is chief investment officer. Peter J. Murray, marketing executive, is client contact.

## Balch, Hardy & Scheinman

*501 Fifth Ave., New York, N.Y. 10017; (212) 661-6290*

| | |
|---|---|
| Total assets managed | $2,200,000,000 |
| Tax-exempt assets managed | $2,200,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CFJG |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

[illegible]alch, Hardy & Scheinman Inc., a quantitative equity manager, overwrites options on the assets reported.

The firm uses an optimizer to get low covariance portfolios to deliver low-beta/high-alpha results. Options are used.

The asset mix Jan. 1 was 95% stocks and 5% cash.

Seven hundred stocks are followed generally; 50% of research is generated internally.

Clients include City of Baltimore, Army & Air Force Exchange, City of Houston and Southern California Rapid Transit District.

William F. Balch, president, is chief investment officer and client contact.

## Balcor Institutional Realty Advisors Inc.

*4849 Golf Road, Skokie, Ill. 60077; (312) 677-2900*

| | |
|---|---|
| Total assets managed | $5,844,000,000 |
| Tax-exempt assets managed | $1,935,000,000 |
| Real estate assets managed | $1,935,000,000 |
| Tax-exempt clients | 6,500 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |

Balcor Institutional Realty Advisors Inc. is a real estate manager.

Its real estate approach is eclectic in identifying real estate investment opportunities with superior risk and return characteristics.

The asset mix Jan. 1 was 31% equity real estate and 69% participating mortgages (hybrid debt).

There was $619 million in equity real estate and $1,316 million in participating mortgages.

The parent company is Shearson Lehman Brothers, a unit of American Express Co. Total asset under management by the parent companies, subsidiaries and affiliates are $140.02 billion.

Clients include Michigan Municipal Employees, Sherwin Williams, Minnesota Employees and IBEW Local 1249.

Barry R. Jackson, senior executive vice president, is chairman of the investment committee. John L. West, executive vice president, is client contact.

## BancOhio National Bank

*155 E. Broad St., Columbus, Ohio 43251; (614) 463-7399*

| | |
|---|---|
| Total assets managed | $902,000,000 |
| Tax-exempt assets managed: | |
| Total | $351,000,000 |
| Commingled | $6,000,000 |
| Separate | $345,000,000 |
| Real estate assets managed | $120,000 |
| Tax-exempt clients: | |
| Commingled | 80 |
| Separate | 228 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |

BancOhio National Bank is an equity, fixed-income, balanced, and real estate manager.

Its growth stock equity approach focuses on midsize to large companies exhibiting consistent and progressive earnings and dividend performance at rates above general economic activity.

Its fixed-income approach is driven by interest rate anticipation and sector analysis.

In real estate, it seeks growth in value while minimizing downside risk.

The asset mix Jan. 1 was 23.8% stocks, 17% bonds, 0.3% cash and 59% government, state and short-term obligations.

The parent company is National City Corp. Assets under management by the parent, subsidiaries and affiliates total $9 billion.

Robert J. Murphy, vice president, is chief investment officer. Darwin C. Jones, vice president-corporate trust new business, is client contact.

## BancOklahoma Trust Co.

*P.O. Box 2300, Tulsa, Okla. 74192; (918) 588-6448*

| | |
|---|---|
| Total assets managed | $2,589,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,024,000,000 |
| Commingled | $145,000,000 |
| Separate | $1,879,000,000 |
| 401(k) and 457 assets managed | $507,000,000 |
| Mortgage-backed assets managed | $242,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients: | |
| Commingled | 551 |
| Separate | 864 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

BancOklahoma Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach focuses on core growth in a bottom-up method that emphasizes return on equity and growth in dividends and earnings.

Its fixed-income approach ladders maturities, emphasizes quality and uses government, government-guaranteed and agency securities as well as mortgage-backed securities.

The asset mix Jan. 1 was 40% stocks, 34% bonds, 4% cash, 12% mortgage-backed securities and 10% GICs.

There was $1 million in foreign stocks and $1 million in foreign bonds.

There are 67 401(k) clients.

Options and stock index futures are used.

Ned Schmidt, senior vice president, is chief investment officer. James W. Morris, vice president, is client contact.

## Banc One Investment Management

*100 E. Broad St., 11th Floor, Columbus, Ohio 43271-0211; (614) 463-5494*

| | |
|---|---|
| Total assets managed | $768,000,000 |
| Tax-exempt assets managed: | |
| Total | $272,000,000 |
| Commingled | $133,000,000 |
| Separate | $139,000,000 |
| Mortgage-backed assets managed | $45,000,000 |
| Tax-exempt clients: | |
| Separate | 8 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 6 |

Banc One Investment Management is an equity, fixed-income, balanced, real estate and index fund manager.

Its equity style uses a highly disciplined approach that analyzes the long-term financial characteristics of a company, than compares the current price of the stock against its projected long-term value.

Its fixed-income approach is active. Half a portfolio is fully invested with duration matched to the Shearson Lehman Government/Corporate bond index. Sectors are actively swapped. The second half's duration fluctuates about market duration. Options and fixed-income futures are used.

Its real estate approach focuses on acquiring existing, multitenant industrial and commercial properties subject or free of debt in established preferred locations in major metropolitan cities in Ohio, Indiana and Florida. Size is in the $1 million to $5 million range.

The asset mix Jan. 1 was 55% stocks, 33% bonds, 4% cash and 8% mortgage-backed securities; $10.97 million was in equity index funds.

The parent company is Banc One Corp. Assets under management by the parent, subsidiaries and affiliates total $3.507 billion.

James D. Wright is chief investment officer and client contact.

## Bank of Boston Corp.

*100 Federal St., 19th Floor, Boston, Mass. 02110; (617) 434-0493*

| | |
|---|---|
| Total assets managed | $238,000,000 |
| Tax-exempt assets managed: | |
| Total | $238,000,000 |
| Commingled | $216,000,000 |
| Separate | $22,000,000 |
| Real estate assets managed | $202,000,000 |
| Tax-exempt clients: | |
| Commingled | 166 |
| Separate | 2 |
| Types of accounts managed | CG |

Bank of Boston Corp., a real estate manager, seeks to maximize net income returns while achieving steady increases in appreciation. The fund is diversified by property type, location and ownership format.

The asset mix Jan. 1 was 15% cash, 62% equity real estate and 23% convertible mortgages.

Thomas Lunny is chief investment officer. Patricia M. Haralson is client contact.

## The Bank of California

*400 California St., San Francisco, Calif. 94104; (415) 765-2626*

| | |
|---|---|
| Total assets managed | $2,800,000,000 |
| Tax-exempt assets managed: | |
| Total | $550,000,000 |
| Commingled | $60,000,000 |
| Separate | $490,000,000 |
| 401(k) and 457 assets managed | $50,000,000 |
| Tax-exempt clients: | |
| Commingled | 60 |
| Separate | 17 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 7 |

The Bank of California is an equity, fixed-income and balanced manager.

A yield manager, its managers purchase high-dividend yield stocks and applies a strong buy/sell discipline.

Its fixed-income approach uses interest rate anticipation and sector analysis. Portfolios are actively managed using above-average quality securities.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

The parent company is Mitsubishi Bank Ltd.

Clients include the Los Angeles Department of Water & Power, Masters Mates and Pilots and Amstar.

Kenneth Kaplan, vice president and senior investment officer and manager, is chief investment officer. Scott Merritt, vice president, is client contact.

## The Bank of New York

*48 Wall St., New York, N.Y. 10015; (212) 530-1784*

| | |
|---|---|
| Total assets managed | $12,287,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,500,000,000 |
| Commingled | $900,000,000 |
| Separate | $2,600,000,000 |
| Mortgage-backed assets managed | $260,000,000 |
| International assets managed | $4,000,000 |
| Tax-exempt clients: | |
| Commingled | 1 |
| Separate | 121 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 52 |
| Size of research staff | 10 |

The Bank of New York is an equity, fixed-income, balanced and international manager.

Its equity approach uses portfolios individually structured to meet client objectives. After identifying major economic and political forces, portfolios are constructed using the appropriate approach: growth, earnings momentum and yield stocks.

Its fixed-income approach uses individually structured portfolios to satisfy client return objectives and tolerance for short-term volatility. The portfolio is constructed using interest rate anticipation, sector analysis and credit quality changes.

Options are used.

The asset mix Jan. 1 was 59% stocks, 40% bonds and 1% cash; there was $260 million in mortgage-backed securities included in the bond allocation, $4.3 million in foreign stocks and $50 million in bond index funds.

Charles L. Booth, executive vice president, is chief investment officer. Jeannette Gadomski, vice president, is client contact.

## Bank One Dayton

*Kettering Tower, Dayton, Ohio 45401; (513) 449-8600*

| | |
|---|---|
| Total assets managed | $1,600,000,000 |
| Tax-exempt assets managed | $475,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Real estate assets managed | $14,000,000 |
| Types of accounts managed | CEFGJ |
| No. of portfolio managers | 1 |

Bank One Dayton is an equity, fixed-income, balanced, index fund and real estate manager.

It takes a low p/e and quantitative approach to equities. It uses a highly disciplined method that analyzes the long-term financial company characteristics and compares current stock price against projected long-term value.

Bank One is an active fixed-income manager.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 42% stocks, 48% bonds, 7% cash and 3% equity real estate.

There was $1 million in equity index funds.

### 25 largest insurance companies* ranked by tax-exempt assets

| Managers | $ millions |
|---|---|
| Prudential Insurance | 76,246 |
| Metropolitan Life Insurance | 51,532 |
| Aetna Life & Casualty | 38,879 |
| Equitable Life Assurance | 37,459 |
| The New England | 26,113 |
| Travelers Cos. | 22,369 |
| CIGNA | 20,795 |
| John Hancock Financial Services | 17,148 |
| Pacific Mutual Life Insurance | 16,242 |
| New York Life Insurance | 14,948 |
| The Principal | 12,260 |
| Mass Mutual Life Insurance | 8,100 |
| MONY Financial Services | 6,703 |
| Mutual Benefit Life | 5,878 |
| Lincoln National | 5,734 |
| Liberty Mutual Insurance (Stein Roe & Farnham) | 5,300 |
| Marsh & McLennan (Putnam Cos.) | 5,296 |
| Transamerica Investment Services | 4,677 |
| Provident National Assurance | 3,949 |
| Kemper Financial Services | 3,591 |
| UNUM Life Insurance | 3,440 |
| Nationwide Insurance Group | 3,309 |
| Continental Assurance | 3,279 |
| Mutual of America Life Insurance | 3,156 |
| Massachusetts Financial Services | 3,058 |
| **Total** | **399,461** |

*Includes subsidiaries' assets

The parent company is Banc One Corp. Assets under management by the parent, subsidiaries and affiliates total $3.5 billion.

David Y. Handlir, vice president, is chief investment officer. Hal G. Andress, senior trust officer, is client contact.

*Leif E. Nulsen*
*Bank One, Indianapolis*

### Bank One, Indianapolis

*101 Monument Circle, Indianapolis, Ind. 46277; (317) 639-8151*

| | |
|---|---|
| Total assets managed | $6,871,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,203,000,000 |
| Commingled | $30,000,000 |
| Separate | $3,173,000,000 |
| Mortgage-backed assets managed | $641,000,000 |
| Tax-exempt clients: | |
| Commingled | 122 |
| Separate | 385 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 5 |

Bank One, Indianapolis, formerly American Fletcher National Bank, is an equity, fixed-income and balanced manager.

Its equity approach is quantitative and value-oriented. Stock selection focuses on a bottom-up approach involving analysis of cash flow, revenue and current vs. historical price.

Its fixed-income approach actively manages portfolios while emphasizing control of maturity and duration given the economic outlook and its implications for the trend in interest rates.

The asset mix Jan. 1 was 10% stocks, 58% bonds, 10% cash, 20% mortgage-backed securities and 2% GICs.

There was $225 million in dedicated/immunized bonds. Options are used.

The parent company is Banc One Corp.

Leif E. Nulsen, senior vice president, is chief investment officer. Phillip E. Chambers, vice president and investment officer, is client contact.

### Bank South

*55 Marietta St., Atlanta, Ga. 30302; (404) 529-4552*

| | |
|---|---|
| Total assets managed | $536,000,000 |
| Tax-exempt assets managed: | |
| Total | $171,000,000 |
| Commingled | $39,000,000 |
| Separate | $132,000,000 |
| 401(k) and 457 assets managed | $32,000,000 |
| Mortgage-backed securities managed | $2,000,000 |
| Tax-exempt clients: | |
| Commingled | 55 |
| Separate | 145 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 2 |

Bank South is an equity, fixed-income and balanced manager.

Its equity approach utilizes macroeconomic analysis resulting in industry sector rotation. Stock selection emphasizes relative values based on fundamental Graham & Dodd and quantitative analysis. Its fixed-income approach is passive with an emphasis on quality issues and conservative maturities.

The asset mix Jan. 1 was 40% stocks, 49% bonds, 10% cash and 1% mortgage-backed securities.

There are nine 401(k) clients.

Phil Larkins, senior vice president and director of investment management, is chief investment officer. Ed Linsley, vice president and head of the corporate trust division, is client contact.

### Bank of Tokyo Trust Co.

*100 Broadway, New York, N.Y. 10005; (212) 766-3400*

| | |
|---|---|
| Total assets managed | $232,000,000 |
| Tax-exempt assets managed: | |
| Total | $98,000,000 |
| Commingled | $52,000,000 |
| Separate | $46,000,000 |
| 401(k) and 457 assets managed | $15,000,000 |
| International assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Commingled | 66 |
| Separate | 14 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Bank of Tokyo Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach combines sector rotation and market timing, using technical analysis to participate in short and intermediate market cycles.

Its fixed-income approach uses interest rate anticipation and sector analysis. The primary emphasis is on the purchase of undervalued bonds; bonds considered rich are actively swapped.

The asset mix Jan. 1 was 45% stocks, 35% bonds and 20% cash.

The parent company is Bank of Tokyo Ltd. Assets under management by the parent, subsidiaries and affiliates total $1.2 billion.

Charles E. Ryan is chief investment officer. Cynthia K. Ormsby is client contact.

### Bank of the West, Trust & Financial Services

*P.O. Box 1121, San Jose, Calif. 95108; (408) 998-6857*

| | |
|---|---|
| Total assets managed | $121,000,000 |
| Tax-exempt assets managed: | |
| Total | $20,000,000 |
| Commingled | $5,000,000 |
| Separate | $15,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 33 |
| Separate | 14 |
| Types of accounts managed | CFG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |

Bank of the West, Trust & Financial Services is an equity, fixed-income and balanced manager.

Its equity approach focuses on growth and low p/e stocks using Graham & Dodd analysis. Stock selection is based on criteria such as a strong, growing cash flow, a strong industry position and reasonable valuation.

Its fixed-income approach concentrates on interest rate anticipation, investing in A+ or better issues.

The asset mix Jan. 1 was 40% stocks, 41% bonds and 19% cash.

The parent company is the National Bank of Paris.

Joseph W. Hefner, vice president and trust investment officer, is chief investment officer. Donald L. Draper, senior vice president and senior trust officer, is client contact.

### Bankers Trust Co. — Investment Management Group

*280 Park Ave., New York, N.Y. 10015; (212) 850-2050*

| | |
|---|---|
| Total assets managed | $48,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $46,900,000,000 |
| Commingled | $12,100,000,000 |
| Separate | $34,800,000,000 |
| 401(k) and 457 assets managed | $25,204,000,000 |
| Tax-exempt clients: | |
| Separate | 137 |
| Types of accounts managed | CEFGJ |
| No. of portfolio managers | 25 |
| Size of research staff | 15 |

Bankers Trust Co. — Investment Management Group is an equity, fixed-income, balanced, international, index, options and futures, GIC and corporate cash manager.

In equities, it follows passive, growth stock, emerging growth and quantitative techniques. It offers a range of equity services, including core equity (relative value, bottom-up); aggressive growth; controlled risk management; dividend capture; specialized and enhanced indexing and both passive and active international.

Its fixed-income approach uses passive and sector analysis techniques. Municipal futures, international, bond indexing and GICs are used. Bankers Trust believes yield is crucial to total return, and that returns can be enhanced significantly through sector and issue selection.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 55% stocks, 35% bonds and 10% cash.

There was $19.5 billion in equity index funds, $2.2 billion in bond index funds and $3 billion in dedicated or immunized portfolios on that date.

It had 119 401(k) and 457 clients.

The parent company is Bankers Trust New York. Assets under management by the parent, subsidiaries and affiliates total $190 billion.

H. Kent Atkins is chief investment officer. Michael E. Fisher, managing director of marketing and sales, is client contact.

### Baring International Investment Ltd.

*66 Long Wharf, Boston, Mass. 02110; (617) 357-9074*

| | |
|---|---|
| Total assets managed | $1,370,000,000 |
| Tax-exempt assets managed | $1,370,000,000 |
| International assets managed | $1,370,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CFG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 10 |

Baring International Investment Ltd. is an equity, fixed-income and international manager.

Its equity approach combines growth and low p/e stocks and market timing.

Its fixed-income approach uses relative currency attraction and interest rate anticipation.

All assets were in foreign markets Jan. 1, 76% in stocks, 19% in bonds and 5% in cash.

The firm follows 100 stocks closely and 450, generally; 65% of research is generated internally.

The parent company is Baring PLC. Assets under management by the parent, subsidiaries and affiliates total $12.5 billion.

Clients include Inland Steel, GTE and Ameritech.

Peter Hartley, managing director, is chief investment officer. John McNamara, director, is client contact.

### Barings America Asset Management

*77 Franklin St., Boston, Mass. 02110 (617) 357-8480*

| | |
|---|---|
| Total assets managed | $1,461,000,000 |
| Tax-exempt assets managed | $1,452,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 8 |

Barings America Asset Management is an equity, fixed-income and balanced manager.

Its equity strategy is a disciplined approach to growth stock management with emphasis placed on stock valuations and sector diversification.

Its fixed-income approach uses sector weighting and issue selection to add value while interest rate risk is controlled within narrow bands. High-yield and investment-grade management are offered.

The asset mix Jan. 1 was 47% stocks, 43% bonds and 10% cash.

It follows 100 stocks closely and 1,000, generally; 75% of research is internally generated.

The parent company is Barings PLC. Assets under management by the parent, subsidiaries and affiliates total $12.5 billion.

Clients include American Tobacco, New England Electric Systems, Northeast Utilities and Smith College.

Stephen D. Cutler, president, is chief investment officer. Brooks H. Sawyer, vice president, is client contact.

### Weaver C. Barksdale and Associates Inc.

*5050 Thoroughbred Lane, Suite A, Brentwood, Tenn. 37027; (615) 373-1550*

| | |
|---|---|
| Total assets managed | $514,000,000 |
| Tax-exempt assets managed | $514,000,000 |
| Mortgage-backed assets managed | $150,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CEJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Weaver C. Barksdale and Associates Inc. is a fixed-income manager.

The duration of portfolios is based on the firm's assessment of interest rate trends using a proprietary approach. Options are used.

The asset mix Jan. 1 was 42% bonds, 27% cash, 16% mortgage-backed securities and 15% collateralized mortgage obligations.

Eighty percent of research is generated internally.

**Key to abbreviations**

**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)

1986 16.67%*
Three years 17.20%*
Seven years 17.59%*

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## Profiles

Clients include TVA Retirement, The Paper Industry Union Management Pension Fund, Metro Government of Nashville and Major League Baseball Players.

Weaver C. Barksdale is chief investment officer. John E. McDowell, senior vice president, is client contact.

### Barrow, Hanley, Mewhinney & Strauss Inc.

*200 Crescent Court, 19th Floor, Dallas, Texas 75201; (214) 871-5300*

| | |
|---|---|
| Total assets managed | $4,800,000,000 |
| Tax-exempt assets managed | $4,777,000,000 |
| Mortgage-backed assets managed | $26,000,000 |
| International assets managed | $95,000,000 |
| Tax-exempt clients | 58 |
| Types of accounts managed | CEFJG |
| Minimum separate account (fixed) | $5,000,000 |
| No. of portfolio managers | 8 |

Barrow, Hanley, Mewhinney & Strauss Inc. is an equity, fixed-income and balanced manager. It is closed to new separate equity accounts.

Its equity approach emphasizes low p/e, high dividend yield and low price/book ratios.

Its fixed-income approach uses sector analysis and looks for high yield to maturity, high current yield, high quality and conservative maturity structure. Portfolios have a structural advantage vs. the market, regardless of interest rate movement and additional value is gained through investing in undervalued securities generating a high yield to maturity.

The asset mix Jan. 1 was 90% stocks, 6% bonds and 4% cash.

The firm follows 200 stocks closely and 750, generally, with 50% of equity and 40% of fixed-income research generated internally. Clients include GM, Olin, Pennsylvania and American Airlines.

Client contacts are Michael C. Mewhinney for equities and Peter F. Bridge for fixed income.

### Bartlett & Co.

*36 E. Fourth St., Cincinnati, Ohio 45202; (513) 621-4612*

| | |
|---|---|
| Total assets managed | $1,200,000,000 |
| Tax-exempt assets managed | $450,000,000 |
| Real estate assets managed | $9,000,000 |
| Mortgage-backed assets managed | $50,000,000 |
| International assets managed | $25,000,000 |
| Tax-exempt clients | 200 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 3 |

Bartlett & Co. is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach centers on low p/e stocks and Graham & Dodd analysis in a value-oriented strategy emphasizing asset values and strong financial positions.

Its fixed-income approach uses sector analysis.

For real estate investments, it seeks overlooked commercial and industrial properties with an emphasis on current income.

Stock index and fixed-income futures are used.

The asset mix Jan. 1 was 50% stocks, 35% bonds, 9% cash, 1% equity real estate, 1% mortgages and 4% mortgage-backed securities.

William A. Friedlander, chairman, is chief executive officer. Woodrow H. Uible, partner-senior portfolio manager, is client contact.

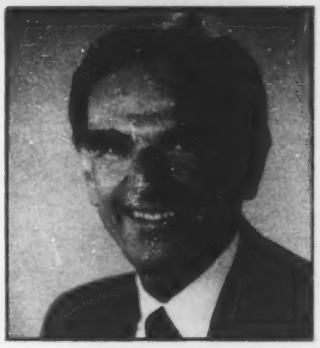
### Batterymarch Financial Management

*600 Atlantic Ave., Boston, Mass. 02210; (617) 973-9300*

| | |
|---|---|
| Total assets managed | $9,234,000,000 |
| Tax-exempt assets managed | $7,771,000,000 |
| International assets managed | $1,116,000,000 |
| Tax-exempt clients | 98 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 10 |

Batterymarch Financial Management is an equity, international and global manager.

It uses sector rotation in its quantitative equity approach, looking for cheap, unpopular stocks in an attempt to exploit uncertainty rather than fight it.



*Dean LeBaron*
*Batterymarch Financial*

The asset mix Jan. 1 was 99% stocks and 1% cash.

There was $1.12 billion in foreign stocks.

Batterymarch follows 2,000 stocks closely and 6,000 generally; 98% of research is generated internally.

Dean LeBaron, trustee, is chief investment officer. Dean Williams, trustee, is client contact.

### Baxter & Hoops Inc.

*115 W. Washington St., Indianapolis, Ind. 46204; (317) 635-7120*

| | |
|---|---|
| Total assets managed | $441,000,000 |
| Tax-exempt assets managed | $220,000,000 |
| Mortgage-backed assets managed | $120,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Baxter & Hoops Inc. is a fixed-income manager.

Its fixed-income approach uses sector analysis. Fixed-income futures are used.

The asset mix Jan. 1 was 54% mortgage-backed securities, 37% cash and 9% bonds.

Clients include the Indiana State Teachers' Retirement Fund.

Gary Baxter and Norman Hoops, partners, are chief investment officers and client contacts.

### BBL Capital Management

*Avenue Marnix 24, Brussels, Belgium 1050; 011-32-2-517-30-94*

| | |
|---|---|
| Total assets managed | $703,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 22 |

BBL Capital Management Corp. is an equity, fixed-income, balanced and international manager.

Its equity approach is based on sector rotation, Graham & Dodd, market timing and quantitative methods together with low p/e stocks.

For fixed income, it anticipates interest rates, reviewing the portfolio's currency content and trying to leverage it through well-timed purchases of deep discount bonds.

The parent company is Banque Bruxelles Lambert. Assets under management by the parent, subsidiaries and affiliates exceed $6 billion.

Philippe Desirant, manager, is chief investment officer. G. Dunesme, managing director, is client contact.

### BB&T

*223 W. Nash, Wilson, N.C. 27893; (919) 399-4748*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | |
| Total | $300,000,000 |
| Commingled | $50,000,000 |
| Separate | $250,000,000 |
| 401(k) and 457 assets managed | $100,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | |
| Commingled | 125 |
| Separate | 100 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

BB&T is an equity, fixed-income and balanced manager.

Its equity approach is based on growth stock, sector rotation and market timing. It uses relative p/e analysis to determine value, then screens for growth, momentum and technical factors. Market timing is used for cash.

Its fixed-income approach uses interest rate anticipation. The portfolio holds one- to eight-year bonds with the average maturity determined by current trends.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash.

The parent company is Branch Corp. — Trust Division. Total assets under management by the parent and subsidiaries and affiliates are $1.5 billion.

David Bryan, vice president, is chief investment officer and client contact.

*Albert L. Zesiger*
*BEA Associates Inc.*

### BEA Associates Inc.

*153 E. 53rd St., New York, N.Y. 10022; (212) 832-2626*

| | |
|---|---|
| Total assets managed | $6,485,000,000 |
| Tax-exempt assets managed | $6,193,000,000 |
| 401(k) assets managed | $2,000,000 |
| Mortgage-backed assets managed | $6,000,000 |
| International assets managed | $336,000,000 |
| Tax-exempt clients | 216 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 6 |

BEA Associates Inc. is an equity, fixed-income, balanced and international manager.

BEA uses a value orientation equity approach, seeking situations where it disagrees with consensus estimates of cash flows and discount rates.

In fixed income, it structures portfolios to resemble client-specified benchmarks, adding value through issue selection, sector selection and swapping.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 59.9% stocks, 15.4% bonds, 10% cash and 14.7% futures.

As of Jan. 1, the firm managed $334 million in dedicated or immunized bond portfolios, $267.3 million in foreign stocks and $68.4 million in foreign bonds.

It has two 401(k) clients.

Clients include Central State Teamsters, Oregon and General Foods.

Albert L. Zesiger, president and chairman, is chief investment officer. Douglas A. Love, director of research, is client contact.

### Beacon Capital Management

*2 World Trade Center, Suite 8546, New York, N.Y. 10048; (212) 912-6900*

| | |
|---|---|
| Total assets managed | $625,000,000 |
| Tax-exempt assets managed | $615,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |

Beacon Capital Management is an equity, fixed-income and balanced manager.

Its equity approach relies on Graham & Dodd analysis. It invests in undervalued stocks of good-quality companies undergoing positive change.

For fixed income, it actively manages U.S. government, agency and quality corporate securities based on its economic and monetary analysis and interest rate anticipation.

Options, stock index futures and fixed-income futures are used.

Its asset mix Jan. 1 was 54% stocks, 36% bonds and 10% cash.

The parent company is The Bank of New York.

Clients include Dow Jones, Melville and Children's Aid Society.

Samson Wang is client investment officer. Perry C. Sporn is client contact.

### Bear Stearns Asset Management

*55 Water St., New York, N.Y. 10041; (212) 952-8200*

| | |
|---|---|
| Total assets managed | $2,040,000,000 |
| Tax-exempt assets managed | $1,800,000,000 |
| 401(k) assets managed | $100,000,000 |
| Mortgage-backed assets managed | $126,000,000 |
| Tax-exempt clients | 91 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 8 |

Bear Stearns Asset Management is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented, focusing on low p/e stocks. The firm uses a set of proprietary equity screens to isolate companies with strong fundamental characteristics whose prices are below market or industry levels. It then identifies those stocks with strong upside price potential.

Its fixed-income approach is conservative. The firm invests primarily in U.S. government securities and adjusts a portfolio's average maturity according to interest rate trends.

The asset mix Jan. 1 was 42% stocks, 49% bonds, 2% cash and 7% mortgage-backed securities.

About 100 stocks are followed closely and 1,900, generally; 75% of the research is generated internally.

Bear, Stearns & Co. Inc. is the parent company.

Clients include Automatic Data Processing, Archdiocese of New York, Commonwealth of Massachusetts and the American Federation of Musicians.

Peter N. Marron is chief investment officer. John F. Boneparth, director-marketing, is client contact.

### P.E. Becker Inc.

*2185 Pacwest Center, Portland, Ore. 97204; (503) 223-1720*

| | |
|---|---|
| Total assets managed | $275,000,000 |
| Tax-exempt assets managed | $164,000,000 |
| 401(k) assets managed | $4,000,000 |
| Tax-exempt clients | 57 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

P.E. Becker Inc. is an equity, fixed-income and balanced manager.

Emphasizing low p/e stocks, its equity approach uses strong fundamental research to identify companies with low expectations and strong financials.

Its fixed-income approach uses sector analysis. The market is searched for the best value relative to risk. Active management is used.

The asset mix Jan. 1 was 55% stocks, 30% bonds and 15% cash.

Clients include Washington Water Power and Bally's Grand.

Patrick E. Becker, president, is chief investment officer and client contact.

### Beese, Fulmer & Pincoe Inc.

*United Bank Building, 220 Market Ave. South, Suite 1150, Canton, Ohio 44702; (216) 454-6555*

| | |
|---|---|
| Total assets managed | $96,000,000 |
| Tax-exempt assets managed | $17,000,000 |
| International assets managed | 2,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Beese, Fulmer & Pincoe Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stock, Graham & Dodd analysis and market timing, focusing on fundamental valuation with earnings growth and market price sensitivities.

Its fixed-income approach relies on interest rate anticipation and sector analysis. Quality distinctions are mandated by yield curve differentials.

The asset mix Jan. 1 was 58% stocks, 32% bonds and 10% cash.

Dennis Fulmer, chairman, is chief investment officer. William A. Pincoe, president, is client contact.

### Bell Capital Management

*1945 The Exchange, Suite 235, Atlanta, Ga. 30339; (404) 952-7039*

| | |
|---|---|
| Total assets managed | $70,000,000 |
| Tax-exempt assets managed | $60,000,000 |
| Tax-exempt clients | 90 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |

Bell Capital Management Inc. is an equity and fixed-income manager.

Its equity approach uses growth stock and market timing.

Its fixed-income approach is driven by interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

It follows 50 stocks closely and 80, generally; half the research is generated internally.

Ron H. Bell, president, is chief investment officer and client contact.

### Berg Capital Corp.

*600 Madison Ave., 14th Floor, New York, N.Y. 10022; (212) 308-4705*

| | |
|---|---|
| Total assets managed | $65,000,000 |
| Tax-exempt assets managed | $24,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Berg Capital Corp. is an equity manager. A value investor, it invests in stocks with unrecognized value and using significant cash reserves to protect value in hostile markets. Fundamental analysis is the basis of its approach.

The asset mix Jan. 1 was 67.5% stocks, 1.2% bonds and 31.3% cash.

Fifty stocks are followed closely and 100, generally; 25% of research is generated internally.

Clients include Kidde, National Patent Development and Interstate Bakeries.

Jonathan A. Berg, president, is chief investment officer. Deborah C. Foord, vice president, is client contact.

### Berkshire Bank & Trust Co.

*P.O. Box 1169, Pittsfield, Mass. 01202; (413) 499-1600*

| | |
|---|---|
| Total assets managed | $125,000,000 |
| Tax-exempt assets managed | $32,000,000 |
| Mortgage-backed assets managed | $3,000,000 |
| International assets managed | $500,000 |
| Tax-exempt clients | 54 |
| Types of accounts managed | CEFG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

Berkshire Bank & Trust Co. is an equity, fixed-income and balanced manager.

Its value-oriented equity approach seeks equities that are undervalued relative to various measures or intrinsic value. Selected stocks are expected to meet price objectives within two years.

Its fixed-income approach uses interest rate anticipation. Price sensitivity is analyzed over various maturity ranges and distributions are set accordingly.

The asset mix Jan. 1 was 50% stocks, 35% bonds, 5% cash and 10% mortgage-backed securities. It had $500,000 in foreign stocks.

The parent company is The Conifer Group. Assets under management by the parent, subsidiaries and affiliates total $1 billion.

Brent K. Stephans, assistant vice president and investment officer, is chief investment officer. Thomas C. Doane, investment officer, is the client contact.

### Bernstein-Macaulay Inc.

*410 Park Ave., New York, N.Y. 10022; (212) 906-2907*

| | |
|---|---|
| Total assets managed | $12,375,000,000 |
| Tax-exempt assets managed | $715,000,000 |
| Mortgage-backed assets managed | $50,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 2 |

Berstein-Macaulay Inc., a fixed-income manager, offers conservative risk management. Its approach emphasizes active sector management, moderate maturity/duration adjustments and credit analysis on individual issue selection. Options and fixed-income futures are used.

It offers a computer-based screening approach for equities to existing clients and foreign investors.

The asset mix Jan. 1 was 50% stocks, 39% bonds, 4% cash and 7%

mortgage-backed securities.

The firm follows 50 stocks closely and 100, generally.

The parent company is American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

Clients include Arizona, Hawaii, American Universal Insurance and New Orleans.

Robert G. Moore, president, is chief investment officer. John P. Arnold, senior vice president, is client contact.

### Sanford C. Bernstein & Co.

*767 Fifth Ave., New York, N.Y. 10153; (212) 486-5800*

| | |
|---|---|
| Total assets managed | $8,500,000,000 |
| Tax-exempt assets managed | $7,300,000,000 |
| Tax-exempt clients | 1,278 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 22 |
| Size of research staff | 31 |

Sanford C. Bernstein & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented, using Graham & Dodd analysis to seek extreme mispricings. Value is defined by the relationship of price to long-term earnings and dividends. Sector rotation is also used.

Using sector analysis, the firm is a value-oriented, intermediate-term bond manager. Quantitative research evaluates relationships between and within sectors and along the yield curve, and also values the components of a bond (call, sector, quality, etc.). A disciplined buy/sell process is used.

Fixed-income futures are used.

The asset mix Jan. 1 was 76% stocks, 22% bonds and 2% cash.

Sanford C. Bernstein follows 544 stocks closely and the same number generally; 90% of research is generated internally.

Clients include New York State Teachers, Johnson & Johnson, Ralston Purina and Allegheny Power System.

Peter Carman is chief investment officer and chairman of the investment policy committee. Richard S. Abramson, director-pension asset advisers, is client contact.

### Berry Hartell & Evers

*550 Kearny St., San Francisco, Calif. 94108; (415) 362-5637*

| | |
|---|---|
| Total assets managed | $220,000,000 |
| Tax-exempt assets managed | $28,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Berry Hartell & Evers is an equity, fixed-income and balanced manager.

It uses Graham & Dodd analysis in its growth stock equity approach.

Its fixed-income approach is passive, using staged maturities, short or medium term, with A or better ratings.

Covered call options are used.

The asset mix Jan. 1 was 65% stocks, 25% bonds and 10% cash.

There are two 401(k) clients.

It follows 70 stocks closely and 250, generally; half the research is generated internally.

K. Berry is chief investment officer. Charles Osborne is client contact.

### Bessemer Trust Co.

*630 Fifth Ave., New York, N.Y. 10111; (212) 708-9100*

| | |
|---|---|
| Total assets managed | $5,138,000,000 |
| Tax-exempt assets managed: | |
| Total | $661,000,000 |
| Commingled | $8,000,000 |
| Separate | $653,000,000 |
| International assets managed | $167,000,000 |
| Tax-exempt clients: | |
| Commingled | 3 |
| Separate | 65 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| Size of research staff | 7 |

Bessemer Trust Co. is an equity, fixed-income, balanced, international and real estate/oil and gas direct investment manager.

Its equity approach focuses on market cycle and market theme analysis, taking greater risks in stock selection in rising markets and employing defensive strategies to preserve capital in bear markets.

Its fixed-income approach uses interest rate anticipation and sector analysis. Portfolios are actively managed to preserve capital.

Real estate and oil and gas direct investment programs are determined by individual objectives and risk parameters.

Option and stock index futures are used.

The asset mix Jan. 1 was 51% stocks, 30% bonds, 17% cash and 2% other; $167 million was in foreign stocks.

The parent company is The Bessemer Group Inc. Assets under management by the parent, subsidiaries and affiliates total $6.01 billion.

John R. Whitmore is chief investment officer. Robert C. Elliott, senior executive vice president, is client contact.

### Beutel Goodman & Co. Ltd.

*20 Eglinton Ave. W., Suite 2000, Toronto, Ontario M4R 1K8; (416) 485-1010*

| | |
|---|---|
| Total assets managed | $3,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,400,000,000 |
| For subsidiaries of U.S. firms | $1,000,000,000 |
| Real estate assets managed | $100,000,000 |
| Tax-exempt clients: | |
| Total | 63 |
| U.S. subsidiaries | 13 |
| Types of accounts managed | CFU |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 4 |

Beutel Goodman & Co. Ltd., a Canadian firm, is an equity, fixed-income, balanced and real estate manager.

Its equity approach is based on sector rotation and Graham & Dodd analysis. It uses a contrarian and value-oriented approach that seeks to accumulate deeply undervalued equities that are at a discount to intrinsic value at a low multiple of earnings.

Its fixed-income approach uses interest rate anticipation and sector analysis, emphasizing liquidity, quality and income stream. Total returns are augmented through active management that exploits anomalies in yield curve relationships and deviations from expected rate trends.

In real estate, the firm operates closed-end diversified pools of commercial properties, emphasizing those that can be upgraded.

The asset mix Jan. 1 was 36% Canadian stocks, 35% bonds, 14% cash, 4% equity real estate and 11% U.S. stocks.

Beutel, Goodman & Co. Ltd. is the parent company. Total assets under management by the parent company, subsidiaries and affiliates are $4.412 billion.

David A. Williams, vice president, is chief investment officer. William W. Ashby, vice president, is client contact.

### Beutel, Goodman Capital Management Ltd.

*2030 Texas Commerce Tower, Houston, Texas 77002; (713) 221-1790*

| | |
|---|---|
| Total assets managed | $1,202,000,000 |
| Tax-exempt assets managed | $1,202,000,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 8 |

Beutel, Goodman Capital Management Ltd. is an equity and balanced manager.

Its equity approach uses sector rotation and Graham & Dodd analysis. The firm seeks companies selling at a discount to their book or asset value, or companies selling at a low relative p/e multiple, given their investment characteristics and forecasted earnings growth.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 90% stocks and 10% cash.

The firm follows 200 stocks closely and 500, generally; 80% of research is generated internally.

The parent company is Beutel, Goodman & Co., Toronto. Total assets under management by the parent, subsidiaries and affiliates are $4.412 billion.

Clients include New York State Teachers, Pacific Gas & Electric, Hercules and Minnesota.

Robert McFarland, president, is chief investment officer and client contact.

### Beutel, Goodman International PLC

*37-39 St. Andrew's Hill, London, England; 011-44-1-489-0218*

| | |
|---|---|
| Total assets managed | $210,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| International assets managed | $200,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Beutel, Goodman International PLC is an international manager.

In equities, it combines active country allocation and theme stock selection to exploit inefficiencies in the international markets.

Its fixed-income approach combines a proprietary data screen with systematic, fundamental analysis. It uses active country allocation and generally invests in only high-quality, liquid instruments.

The asset mix Jan. 1 was 95% foreign bonds and 5% cash.

The parent company is Beutel, Goodman Capital Management. Assets under management by the parent, subsidiaries and affiliates total $4.412 billion.

Olaf Rogge and Peter Mellor, principals, are chief investment officers. Daniel E. Freelund is the client contact at Fairfield Capital Associates, 1720 Post Road E., Westport, Conn. 06880.

### The Beyreuther Co.

*1616 17th St., No. 469, Denver, Colo. 80202; (303) 628-5554 or (312) 790-0333*

| | |
|---|---|
| Total assets managed | $2,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

The Beyreuther Co. is an equity manager that emphasizes growth stock and quantitative research combined with passive management. Its customized passive equity product, designed to beat the S&P 500, is based on a universe of fast-growing and fundamentally strong, domestically traded equities.

All assets were in stocks Jan. 1.

Beyreuther follows 100 stocks closely and 1,700, generally; 50% of research is generated internally.

Its client is Associates in Gynecological Surgery and Obstetrics.

Paul A.R. Beyreuther is chief investment officer and client contact.

### George D. Bjurman & Associates

*10100 Santa Monica Blvd., Suite 2300, Los Angeles, Calif. 90067; (213) 553-6577*

| | |
|---|---|
| Total assets managed | $596,000,000 |
| Tax-exempt assets managed | $581,000,000 |
| Tax-exempt clients | 34 |
| Types of accounts managed | CFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

George D. Bjurman & Associates is an equity, fixed-income, balanced and dedicated or immunized bond portfolio manager.

Its equity approach is quantitative, using low p/e stocks and sector rotation techniques. Portfolio managers emphasize large- to medium-cap equities that are undervalued and have positive earnings and price momentum.

Its fixed-income approach uses interest rate anticipation and sector analysis, emphasizing high-quality issues with short- to intermediate-term maturities with the best risk/reward characteristics.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 60% stocks and 40% bonds.

O. Thomas Barry III, senior executive vice president, is client contact.

### Black, Galper & Heessels

*Suite 1010, P.O. Box 413, 2 First Canadian Place, Toronto, Ontario M5X 1E3; (416) 869-0163*

| | |
|---|---|
| Total assets managed | $1,453,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,413,000,000 |
| For subsidiaries of U.S. firms | $312,000,000 |
| Tax-exempt clients: | |
| Total | 75 |
| U.S. subsidiaries | 8 |
| Types of accounts managed | CFU |
| Minimum separate account | $14,000,000 |
| No. of portfolio managers | 6 |

Black, Galper & Heessels Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach combines sector rotation, market timing and low p/e stocks. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 40% Canadian stocks, 48% bonds, 2% cash and 10% U.S. stocks.

Eighty to 100 stocks are followed closely and 150 to 200, generally; half of the research is generated internally.

Paul F. Black, president, is chief investment officer and client contact.

### William Blair & Co.

*135 S. LaSalle St., Chicago, Ill. 60603; (312) 236-1600*

| | |
|---|---|
| Total assets managed | $1,920,000,000 |
| Tax-exempt assets managed | $885,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| International assets managed | $20,000,000 |
| Tax-exempt clients | 135 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,500,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 13 |

William Blair & Co. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes emerging growth and growth stock. The firm identifies small and midsize growth stocks where stable growth, conservative finances and established quality managements should lead to long-term capital appreciation.

Its fixed-income approach uses sector analysis to find high-quality, intermediate maturity instruments to produce current income with little capital risk.

The asset mix Jan. 1 was 69% stocks, 21% bonds and 10% cash. It had $20 million in foreign stocks.

Clients include Toys "R" Us, Kresge Foundation, Morton Thiokol and Purdue University.

Conrad Fischer, chief investment partner, is chief investment officer. Rocky Barber, partner and manager-investment management department, is client contact.

### Arnhold & S. Bleichroeder International

*45 Broadway, New York, N.Y. 10006; (212) 943-9200*

| | |
|---|---|
| Total assets managed | $450,000,000 |
| Tax-exempt assets managed | $390,000,000 |
| International assets managed | $378,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 12 |

Arnhold & S. Bleichroeder International is an international manager.

Its approach is to select securities, not countries, by evaluating fundamental criteria and comparing absolute and relative price-earnings and price-cash flow.

Managers build 30-stock portfolios and target a 50% return for each holding over 12 to 18 months.

The asset mix Jan. 1 was 97% stocks and 3% cash.

One hundred stocks are followed closely and 250, generally; 50% of research is generated internally.

The parent company is Arnhold & S. Bleichroeder Inc. Assets under management by the parent, subsidiaries and affiliates total $1.1 billion.

Clients include Allied-Signal, United Technologies, PG&E and Xerox.

Howard B. Moss, senior vice president, is chief investment officer. Frederic C. Reynolds, vice president, is client contact.

### BMI Capital Corp.

*67 Wall St., New York, N.Y. 10005; (212) 422-1619*

| | |
|---|---|
| Total assets managed | $310,000,000 |
| Tax-exempt assets managed | $243,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 8 |

BMI Capital Corp., an equity manager, uses Graham & Dodd analysis to identify growth and emerging growth stocks with low p/e ratios. Focusing outside the mainstream, it invests in rapidly growing and misperceived companies believed to offer both value and dynamics.

The asset mix Jan. 1 was 93% stocks and 7% cash.

Brean Murray, Foster Securities Inc. is the parent company.

Clients include Minnesota, GTE, Upjohn and Norton.

James D. Awad, president, and Francis J. Houghton Jr., chairman, are chief investment officers.

Sandra A. Jerro, vice president, is client contact.

### 25 largest investment counseling firms* ranked by tax-exempt assets

| Managers | $ millions |
|---|---|
| Miller, Anderson and Sherrerd | 11,500 |
| Lehman Management | 11,469 |
| Scudder, Stevens & Clark | 11,300 |
| Delaware Investment Advisers | 11,103 |
| Boston Co. | 10,355 |
| INVESCO Capital Management | 9,991 |
| Oppenheimer Capital | 9,865 |
| Fayez Sarofim | 9,222 |
| Fischer, Francis, Trees & Watts | 9,100 |
| Wellington Management | 9,076 |
| T. Rowe Price Associates | 9,051 |
| Morgan Stanley Asset Management | 8,752 |
| Criterion Group | 8,198 |
| RCM Capital Management | 8,025 |
| Batterymarch Financial | 7,771 |
| Sanford C. Bernstein | 7,300 |
| Lazard Freres | 6,910 |
| Brown Brothers Harriman | 6,572 |
| BEA Associates | 6,193 |
| Lincoln Capital Management | 5,996 |
| Capital Supervisors | 5,786 |
| Neuberger and Berman | 5,538 |
| Jamison, Eaton & Wood | 5,053 |
| National Investment Services | 4,828 |
| Barrow, Hanley, Mewhinney & Strauss | 4,777 |
| **Total** | **203,731** |

*Excludes bank and insurance company subsidiaries

*Russell W. Murphy*
*Boatmen's National Bank*

### The Boatmen's National Bank of St. Louis

*100 N. Broadway, St. Louis, Mo. 63102; (314) 425-3616*

| | |
|---|---|
| Total assets managed | $7,464,000,000 |
| Tax-exempt assets managed | $4,790,000,000 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 7 |

The Boatmen's National Bank of St. Louis is an equity, fixed-income, balanced and GIC manager.

Its equity approach is quantitative. Using a combination of value and momentum measurements, stocks are screened to determine relative attractiveness.

Its fixed-income approach is predicated upon interest rate anticipation coupled with active maturity management.

Options are used.

The asset mix Jan. 1 was 55% stocks and 45% bonds.

It follows 100 stocks closely and 630, generally; half the research is generated internally.

Clients include Interco, Laclede Gas and The Principia.

Russell W. Murphy, senior vice president, is chief investment officer. Stephen G. Saffa, vice president-marketing, is client contact.

### Bollinger & Co. Inc.

*821 17th St., Suite 804, Denver, Colo. 80202; (303) 292-0147*

| | |
|---|---|
| Total assets managed | $98,000,000 |
| Tax-exempt assets managed | $72,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Bollinger & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stock, sector rotation and market timing.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

It follows 250 stocks closely and 300, generally; half the research is generated internally.

Colorado Fire & Police is a client.

Jay Guy Bollinger is chief investment officer and client contact.

The directory of master trust banks will be published in the Sept. 7 issue.

### Bolton Tremblay Inc.

*70 University Ave., Suite 1000, P.O. Box 10, Toronto, Ontario M5J 2M4; (416) 595-5201*

| | |
|---|---|
| Total assets managed | $2,480,000,000 |
| Tax-exempt assets managed | $825,000,000 |
| Tax-exempt clients | 98 |
| Types of accounts managed | CEFPU |
| No. of portfolio managers | 14 |

Bolton Tremblay Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation and Graham & Dodd, emphasizing longer-term considerations rather than trading for short-term market swings.

Its fixed-income approach uses interest rate anticipation and sector analysis, actively trading bond portfolios to maximize total returns. It emphasizes quality and marketability.

The asset mix Jan. 1 was 45% Canadian stocks, 40% bonds, 5% cash and 10% U.S. stocks.

Prenor Group Ltd. is the holding company for Bolton Tremblay Inc.

Clients include McGill University, Canadian Opera Foundation, The University of Kings College and The Art Gallery of Ontario.

Ian T. Scott, president, is chief investment officer and client contact.

### Bondoux Investment Management

*100 Spear St., Suite 850, San Francisco, Calif. 94105; (415) 974-5585*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |

Bondoux Investment Management is an equity and balanced manager.

It uses both fundamental and technical stock selection methods to achieve total return objectives. Sell disciplines are strongly emphasized to lock in favorable price movements and to preserve asset values in declining markets.

The asset mix Jan. 1 was 80% stocks and 20% bonds.

Kathryn W. Bondoux, principal, is chief investment officer and client contact.

### Bostian Research Associates Inc.

*360 Madison Ave., New York, N.Y. 10017; (212) 907-0180*

| | |
|---|---|
| Total assets managed | $10,000,000 |
| Tax-exempt assets managed | $5,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $2,000,000 |
| Size of research staff | 1 |

Bostian Research Associates Inc. is an equity manager.

Its disciplined, quantitative, market-timing strategy is used both for regular equity portfolios and for its market timing index fund using S&P 500 stock index futures. Options, stock index futures and fixed-income futures are used. Asset allocation timing advice is provided.

The asset mix Jan. 1 was 50% stocks and 50% stock index futures.

Clients are Loews and K mart.

David B. Bostian Jr., president and chief investment officer, is the client contact.

### The Boston Co. Inc.

*1 Boston Place, Boston, Mass. 02106; (800) 225-5267*

| | |
|---|---|
| Total assets managed | $16,609,000,000 |
| Tax-exempt assets managed | $10,355,000,000 |
| 401(k) assets managed | $188,000,000 |
| Real estate assets managed | $1,515,000,000 |
| International assets managed | $107,000,000 |
| Tax-exempt clients | 156 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 22 |
| Size of research staff | 15 |

The Boston Co. Inc. is an equity, fixed-income, balanced, real estate and international manager.

Its active equity management approach uses quantitative value-oriented screening and emphasizes stocks undervalued in earnings and dividend growth, with appreciation potential. Its index funds track the S&P 500, Wilshire 5000 and Capital International indexes.

Its active fixed-income approach emphasizes interest rate anticipation, avoiding extreme strategies. Portfolios are positioned with the best relative value as to industry and quality sectors. Its passive approach uses debt securities to meet client needs, tracking the Shearson-Lehman Aggregate index or its components.

In real estate, most assets are managed on a separate account basis by The Boston Co. Real Estate Council Inc., with the primary investment vehicle equity-oriented debt.

Options and stock index futures are used.

The asset mix Jan. 1 was 30% stocks, 34% bonds, 8% cash, 15% equity real estate and 13% short-term money market investments; it had $1.5 billion in equity real estate, $107 million in international equity index funds, $517 million in equity index funds, $71 million in bond index funds and $281 million in dedicated or immunized bond portfolios.

There is one 401(k) client.

The parent company is American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

James N. von Germeten is chief investment officer. John L. Carty, vice president and director-institutional markets and client relations, is client contact.

### Boston International Advisors Inc.

*1 Liberty Square, Boston, Mass. 02109; (617) 574-9050*

| | |
|---|---|
| Total assets managed | $88,000,000 |
| International assets managed | $88,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| Size of research staff | 7 |

Boston International Advisors Inc., an equity and international manager, uses passive and quantitative techniques with growth and low p/e stocks. The firm also manages custom index funds — EAFE and South Africa-free. Options and stock index futures are used.

The asset mix Feb. 28 was 100% foreign stocks.

The five principals make up the firm's investment committee. Jennifer Dunning, managing director, is client contact.

### Boston Security Counsellors

*60 State St., Boston, Mass. 02159; (617) 742-9858*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Boston Security Counsellors Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth, emerging growth and low p/e stocks analyzed through Graham & Dodd principles. Selections are based on criteria measuring value growth and financial strength.

Its fixed-income approach is passive and uses interest rate anticipation.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 40% stocks, 35% bonds, 20% cash and 5% mortgage-backed securities.

The parent company is Advest Group Inc. Assets managed by the parent, subsidiaries and affiliates are $950 million.

Edward B. White is chief investment officer. Lisa Castellano, associate, is client contact.

### Bounty Management Corp.

*Bedford Building, 99 Bedford St., Boston, Mass. 02111; (617) 357-8285*

| | |
|---|---|
| Total assets managed | $108,000,000 |
| Tax-exempt assets managed | $65,000,000 |
| Tax-exempt clients | 60 |
| Types of accounts managed | CE |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Bounty Management Corp. is an equity and balanced manager.

Its equity strategy is quantitative, combining momentum and value investing based on a contrarian approach.

In fixed income, it swings in and out on the Treasury yield curve based on year-to-year interest rate forecasts for long-term investments only.

The asset mix Jan. 1 was 39% stocks, 28% bonds and 33% cash.

Clients include The Charlton School, Crozer Theological Seminary and Marianist Society.

Raymond N. Bligh, president, is chief investment officer and client contact.

### Bowen, Hanes & Taylor Inc.

*100 Galleria Parkway, Atlanta, Ga. 30339; (404) 951-8891*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $380,000,000 |
| Real estate assets managed | $11,000,000 |
| Mortgage-backed assets managed | $5,000,000 |
| Tax-exempt clients | 41 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Bowen, Hanes & Taylor Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e and growth stocks. The firm uses a conservative, quality-oriented, top-down approach.

Its fixed-income approach is based on interest rate anticipation.

In real estate, it seeks capital gains opportunities in undeveloped land.

The asset mix Jan. 1 was 80% stocks, 11% bonds, 5% cash, 3% equity real estate and 1% mortgage-


A Desk Reference on Soft Dollars . . .

From The People Who Wrote The Book

Capital Institutional Services is the largest independent brokerage firm specializing in "Soft Dollar" brokerage. Since its founding in 1977, CIS has done only one thing: "Soft Dollars". We've done our homework and learned how to do it right. Soft Dollars can be an important tool for the acquisition of research and other services of benefit to plan beneficiaries.

CIS has prepared a compendium of regulatory releases and legal opinions affecting "Soft Dollars" and directed brokerage. This brochure is must reading for Plan Sponsors, Managers and others involved in supervising the investment of Plan assets. Included are the latest regulatory releases from the SEC and from the Department of Labor. Please call Douglass Shear, Senior Vice President, Director–Plan Sponsor Division, at 1-800-247-6729 or 214-720-0055, for your complimentary copy. Or send your business card to:

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backed securities.

Fifty stocks are followed closely and 200, generally; 90% of research is generated internally.

Clients include the Tampa (Fla.) Firefighters and Police Officers, University of the South Endowment and Classic Leather.

Harold J. Bowen Jr., president, is chief investment officer and client contact.

### G. Waring Boys Co. Inc.

*P.O. Box 5255, Asheville, N.C. 28813; (704) 274-1542*

| | |
|---|---|
| Total assets managed | $132,000,000 |
| Tax-exempt assets managed | $75,000,000 |
| Tax-exempt clients | 43 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

G. Waring Boys Co. Inc. is an equity, fixed-income and balanced manager.

Emphasizing low p/e and growth stock, and market timing, its equity approach is value-oriented, fundamental and disciplined.

Its fixed-income approach is driven by interest rate anticipation, emphasizing high quality, liquidity and sector and maturity diversification.

The asset mix Jan. 1 was 45% stocks, 43% bonds and 12% cash.

Sixty stocks are followed closely and 140, generally; 30% of the firm's research is generated internally.

G. Waring Boys, president, is chief investment officer. John B. Kuhns is client contact.

### Bradford & Marzec Inc.

*555 S. Flower St., Los Angeles, Calif. 90071; (213) 489-4288*

| | |
|---|---|
| Total assets managed | $540,000,000 |
| Tax-exempt assets managed | $378,000,000 |
| 401(k) assets managed | $20,000,000 |
| Mortgage-backed assets managed | $57,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Bradford & Marzec Inc. is a fixed-income manager, using sector analysis and employing all fixed-income instruments. Sector allocation and security selection strategies are used in a value-driven manner.

The asset mix Jan. 1 was 80% bonds, 15% cash and 5% mortgage-backed securities.

There are two 401(k) clients.

Seventy percent of research is generated internally.

Clients include The Common Fund, Niagara Mohawk Power and San Bernardino County.

Ted Bradford and Z. Marzec, principals, are chief investment officers and client contacts.

### Brandes Investment Counsel

*12760 High Bluff Drive No. 160, San Diego, Calif. 92130; (619) 755-0239*

| | |
|---|---|
| Total assets managed | $80,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 150 |
| Types of accounts managed | CEF |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Brandes Investment Counsel Inc. is an equity and international manager.

Its equity approach is global and value-oriented, using Graham & Dodd analysis to identify undervalued securities.

The asset mix Jan. 1 was 80% stocks and 20% cash. It managed $10 million in foreign stocks.

Fifty stocks are followed closely and 100, generally; all research is generated internally.

Charles H. Brandes, president, is chief investment officer. W. Roberts Wood, vice president, is client contact.

### Brandywine Asset Management

*Suite 536, 1 Customs House Square, Wilmington, Del. 19801; (302) 654-6162*

| | |
|---|---|
| Total assets managed | $82,000,000 |
| Tax-exempt assets managed | $75,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |

Brandywine Asset Management, an equity manager, invests exclusively in the lowest 15% of the p/e spectrum to add significant returns without increased volatility.

The asset mix Jan. 1 was 92.5% stocks and 7.5% cash.

It follows 120 stocks closely; 70% of research is generated internally.

Clients include Albert Einstein Medical Center and Frank Russell Investment Co.

W. Anthony Hitschler is chief investment officer. M. Andrew Sheffler is client contact.

### Stacey Braun Associates

*377 Broadway, Eighth Floor, New York, N.Y. 10013; (212) 226-7707*

| | |
|---|---|
| Total assets managed | $1,003,000,000 |
| Tax-exempt assets managed | $1,003,000,000 |
| Mortgage-backed assets managed | $200,000,000 |
| Tax-exempt clients | 102 |
| Types of accounts managed | CJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

Stacey Braun Associates Inc., is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd-based analysis. The major criteria in selection are reasonably consistent earnings growth, low p/e, multiples and dependable dividends for above-average yields.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 30% stocks, 49% bonds, 1% cash and 20% mortgage-backed securities.

Ninety-seven stocks are followed closely and 170, generally; 75% of research is generated internally.

Clients include the Laborers National Pension Fund, United Parcel Service Union Retirement Plan, American Guild of Musical Artists Pension Fund and Local 210 Pension Fund.

Martin H. Wexler, president, is chief investment officer. Elizabeth Stirling, vice president, is client contact.

### Daniel Breen & Co.

*700 Louisiana, 3400 RepublicBank Center, Houston, Texas 77002; (713) 223-2110*

| | |
|---|---|
| Total assets managed | $623,000,000 |
| Tax-exempt assets managed | $543,000,000 |
| Tax-exempt clients | 25 |
| Types of accounts managed | CEFG |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Daniel Breen & Co. is an equity, fixed-income and balanced manager.

Its equity approach is rotational, seeking relative value to the S&P 500. It uses specific valuation models for each type of stock and 10 years of relative information on each stock.

Its fixed-income approach is based on interest rate anticipation, blending fundamental analysis with relative valuation computer models to create a proprietary rotational approach.

Options are used.

The asset mix Jan. 1 was 80% stocks, 16% bonds and 4% cash.

Thirty-five stocks are followed closely and 1,500, generally; 60% of research is generated internally.

Clients include Reader's Digest, Continental Telecom, General Dynamics and Wesleyan University.

Daniel A. Breen, president and chief investment officer, and Harry M. Flavin, senior vice president, are chief investment officers. Edward S. McCullough, senior vice president, is client contact.

### Bridgewater Asset Management

*372 Danbury Road, Wilton, Conn. 06897; (203) 762-8511*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $25,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | EG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 10 |

Bridgewater Asset Management is a fixed-income manager for its tax-exempt accounts. For corporate taxable accounts it also does tactical and global asset allocation using futures swaps and options.

Its fixed-income approach uses market timing and an interest rate system it devised to move among long-, medium- and short-term securities.

All tax-exempt assets Jan. 1 were in bonds. The firm manages risks on $600 million.

It is affiliated with Bridgewater Associates, a research firm. Assets under management by the affiliates total $625 million.

Raymond T. Dalio, president, is chief investment officer. Charles S. Schnelle, executive vice president, is client contact.

### Brignoli Curley & Roberts Associates

*15 W. 39th St., New York, N.Y. 10018; (212) 869-4233*

| | |
|---|---|
| Total assets managed | $783,000,000 |
| Tax-exempt assets managed | $783,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CEJG |
| Minimum separate account | $20,000,000 |

Brignoli Curley & Roberts Associates is an equity manager.

Its approach is quantitative, seeking to achieve incremental returns through systematic reduction of risk with a broadly diversified portfolio of larger capitalization stocks.

The asset mix Jan. 1 was 98% stocks and 2% cash.

The firm follows 700 stocks closely; all research is generated internally.

Clients include U S WEST, Westinghouse, Johnson & Johnson and the United Mine Workers.

Duane G. Roberts, partner, is client contact.

### John W. Bristol & Co. Inc.

*233 Broadway, New York, N.Y. 10279; (212) 267-9000*

| | |
|---|---|
| Total assets managed | $1,900,000,000 |
| Tax-exempt assets managed | $1,700,000,000 |
| 401(k) assets managed | $13,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEF |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 5 |

John W. Bristol & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach relies on growth stock, while its fixed-income approach focuses on interest rate anticipation.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

There is one 401(k) client.

Sixty stocks are followed closely and 200, generally; all research is generated internally.

Clients include Princeton University, Swarthmore College, Colorado College and Clark Art Institute.

Charles H. Mott, president, is chief investment officer and client contact.

### Alex. Brown Investment Management

*135 E. Baltimore St., Baltimore, Md. 21202; (301) 727-1700*

| | |
|---|---|
| Total assets managed | $877,000,000 |
| Tax-exempt assets managed | $521,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Alex. Brown Investment Management is an equity and balanced manager.

Its equity approach is based on flexible stock selection with a focus on overlooked or out-of-favor stocks where favorable changes are creating significant appreciation potential.

Its fixed-income approach also is flexible. It uses government and corporate bonds, emphasizing, but not limited to, quality issues with intermediate maturities.

The asset mix Jan. 1 was 65% stocks, 15% bonds and 20% cash.

The firm follows 90 stocks closely and 350, generally; 20% of research is generated internally.

The parent firm is Alex. Brown & Sons Inc. Assets under management by the parent, subsidiaries and affiliates total $3 billion.

J. Dorsey Brown III is chief investment officer and client contact.

### Alex. Brown Real Estate Services Inc.

*225 E. Redwood St., Baltimore, Md. 21202; (301) 727-3884*

| | |
|---|---|
| Total assets managed | $1,163,000,000 |
| Tax-exempt assets managed | $768,000,000 |
| Real estate assets managed | $768,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | G |
| Minimum separate account | $50,000,000 |
| Size of research staff | 4 |

Alex. Brown Real Estate Services Inc., a real estate manager, invests in institutional real estate primarily through participating debt and joint venture structures.

The asset mix Jan. 1 was 3% equity real estate, 4% mortgages, 6% joint ventures, 81% participating mortgages and 6% real estate securities.

It follow 30 stocks closely and 60, generally.

The parent company is Alex. Brown & Sons. Total assets under management by the parent company, subsidiaries and affiliates is $3 billion.

Clients include Oregon Public Employes and Texas Teachers.

Robert H. Gidel and William K. Morrill are client contacts.

### Brown Brothers Harriman

*59 Wall St., New York, N.Y. 10005; (212) 493-8330*

| | |
|---|---|
| Total assets managed | $11,657,000,000 |
| Tax-exempt assets managed | $6,572,000,000 |
| Mortgage-backed assets managed | $500,000,000 |
| International assets managed | $580,000,000 |
| Tax-exempt clients | 459 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 60 |
| Size of research staff | 21 |

Brown Brothers Harriman & Co. is an equity, fixed-income, balanced and international manager.

Its Graham & Dodd-based equity approach uses stock selection, diversification and market timing.

Its fixed-income approach concentrates on duration. This method incorporates price maturity, coupon and yield to maturity, all of which control price volatility. It also creates linear proportionality among the various bonds' durations.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 25% stocks, 46% bonds, 21% cash and 8% mortgage-backed securities.

As of Jan. 1, the firm managed $324 million in foreign bonds, $256 million in foreign stocks and $60 million in dedicated or immunized bond portfolios.

Its parent is Brown Brothers Harriman & Co. Assets under management by the parent, subsidiaries and affiliates total $11.7 billion.

Elbridge T. Gerry Jr. is chief investment officer. Frank J. Keeler is client contact.

### Robert C. Brown & Co. Inc.

*655 Montgomery St., San Francisco, Calif. 94596; (415) 981-4050*

| | |
|---|---|
| Total assets managed | $1,400,000,000 |
| Tax-exempt assets managed | $1,150,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 10 |

Robert C. Brown & Co. Inc., a fixed-income manager, actively manages portfolio duration through interpretation of economic and interest rate trends. Fixed-income futures are used.

The asset mix Jan. 1 was 100% bonds; there was $350 million in dedicated or immunized bond portfolios.

All the firm's research is generated internally.

Clients include Boeing, Kansas Public Employees, Hercules and Southern California United Food & Commercial Workers.

Robert C. Brown, president, is chief investment officer. J. Cliffton Massar, vice president and director of marketing, is client contact.

### Brundage Story and Rose

*1 Broadway, New York, N.Y. 10004; (212) 269-3050*

| | |
|---|---|
| Total assets managed | $687,000,000 |
| Tax-exempt assets managed | $1,377,000,000 |
| Tax-exempt clients | 303 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 21 |

Brundage Story and Rose is an equity, fixed-income and balanced manager.

Its equity approach combines Graham & Dodd analysis with growth stock and value strategies. It uses a top-down, long-term fundamental method emphasizing capital preservation.

Its fixed-income approach is based on interest rate anticipation. Managers purchase high-quality securities — primarily U.S. government — in the one- to five-year maturity range to provide stability and additional income.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

The firm follows 200 stocks closely and 750, generally; 70% of research is generated internally.

Clients include Westvaco, Ohio Operating Engineers and Perkin-Elmer.

Malcolm D. Clarke Jr. and Charles

### 25 largest banks and trust companies* ranked by tax-exempt assets

| Managers | $ millions |
|---|---|
| Wells Fargo | 53,905 |
| J.P. Morgan Investment Management | 48,173 |
| Bankers Trust-investment Management Group | 46,900 |
| Mellon Bank | 35,899 |
| State Street Bank and Trust | 23,572 |
| Citicorp Investment Management | 18,608 |
| Manufacturers Hanover Investment | 17,713 |
| The Capital Group | 17,508 |
| Chase Investors Management | 14,579 |
| Northern Trust | 12,976 |
| FMR | 12,243 |
| Fiduciary Trust | 11,445 |
| Trust Co. of the West | 10,173 |
| American National Bank & Trust, Chicago | 10,100 |
| First Chicago Investment Advisors | 9,013 |
| Harris Trust & Savings Bank | 8,463 |
| First Interstate Bancorp | 8,395 |
| Chemical New York | 7,068 |
| PNC Financial | 6,490 |
| First Bank System | 6,051 |
| AmeriTrust | 5,965 |
| RepublicBank Dallas | 5,719 |
| Boatmen's National Bank | 4,790 |
| Security Pacific | 4,674 |
| Bank of Boston | 4,665 |
| **Total** | **405,087** |

*Includes subsidiaries' assets

G. Watson, co-chairmen of the executive committee, are chief investment officers and client contacts.

### Buffalo Capital Corp.

*4350 Von Karman, No. 490, Newport Beach, Calif 92660; (714) 476-2799*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| International assets managed | $500,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CFG |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Buffalo Capital Corp. is an equity, fixed-income, balanced and international manager.

Its equity approach uses growth and emerging growth stock and market timing through investment in mutual funds.

Its fixed-income approach uses interest rate trend analysis.

The asset mix Jan. 1 was 80% stocks and 20% bonds. There was $500,000 in foreign stocks.

Clients include Kern County Employees' and United Artists Communications.

Mark A. Hoppe is chief investment officer and client contact.

### Burgess Capital Corp.

*499 Seaport Court, Suite 201, Redwood City, Calif. 94063; (415) 369-4545*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $141,000,000 |
| International assets managed | $21,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Burgess Capital Corp. is an equity, fixed-income, balanced, international and options manager.

In equities, it uses a Graham & Dodd analysis to identify growth stock, together with sector rotation and market timing, in an approach that is 70% top-down, 30% bottom-up. Options and stock index futures are used.

Its fixed-income approach, based on interest rate anticipation, is mainly dictated by clients' needs for income.

The asset mix Jan. 1 was 65% stocks, 5% bonds and 30% cash.

Robert F. Burgess, president, is chief investment officer. Robert F. Osborne, executive vice president, is client contact.

### Burnham & Co.

*202 Federal Square Building, Grand Rapids, Mich. 49503; (616) 459-1043*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $187,000,000 |
| Tax-exempt clients | 87 |
| Types of accounts managed | EFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Burnham & Co. is an equity, fixed-income and balanced manager.

Its equity approach relies on emerging growth and growth stock, while its fixed-income approach focuses on interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 30% stocks, 65% bonds and 5% cash.

The firm follows 25 stos2cks closel and 50, generally; 10% of research is generated internally.

Clients include Oakland County, City of Oak Park, Kalamazoo County and Hope College.

Robert W. Burnham is chief investment officer and client contact.

### The Burridge Group Inc.

*115 S. LaSalle St., Chicago, Ill. 60603; (312) 368-0066*

| | |
|---|---|
| Total assets managed | $320,000,000 |
| Tax-exempt assets managed | $240,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEFG |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

The Burridge Group Inc. is an equity, fixed-income and balanced manager.

Its equity approach relies on emerging growth and growth stocks. Large- and small-cap growth companies represent 70% to 75% of a portfolio and opportunistic stocks, 25% to 30%. Holding periods are three to five years.

Its fixed-income approach concentrates on interest rate anticipation.

The asset mix Jan. 1 was 85% stocks, 10% bonds and 5% cash.

Clients include Roosevelt University, Microdot and RGK Foundation.

Richard M. Burridge, president, is chief investment officer. Jack M. Tuhey, executive vice president, is client contact.

### Butcher Investment Management Group

*211 S. Broad St., Philadelphia, Pa. 19107; (215) 985-5195*

| | |
|---|---|
| Total assets managed | $17,000,000 |
| Tax-exempt assets managed | $6,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 10 |

Butcher Investment Management Group, a division of Butcher & Singer Inc., is an equity manager.

Its equity approach uses growth and low p/e stocks and market timing. Covered call options are used. Fixed-income is used principally to meet cash flow requirements.

The asset mix Jan. 1 was 80% stocks and 20% cash.

The parent company is Butcher & Co. Assets under management by the parent, subsidiaries and affiliates total $350 million.

Thom R. Brown, executive vice president/managing director, is chief investment officer. W.A. Ellinger III, first vice president/director of marketing, is client contact.

### Cadinha & Co. Inc.

*900 Fort St., Suite 1240, Honolulu, Hawaii 96813; (808) 523-9488*

| | |
|---|---|
| Total assets managed | $126,000,000 |
| Tax-exempt assets managed | $87,000,000 |
| Tax-exempt clients | 98 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Cadinha & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach is based on growth stocks, using fundamental analysis in determining companies' anticipated growth.

Its fixed-income approach uses interest rate anticipation, with yield curve analysis determining the proper maturity placement of high-quality debt.

The asset mix Jan. 1 was 46% stocks, 43% bonds and 11% cash.

Sixty stocks are followed closely and 100, generally; 30% of research is generated internally.

Harlan J. Cadinha, president, is chief investment officer. Janis C. Akuna, vice president, is client contact.

Investment consultants: Nov. 16.

### Calcasieu Marine National Bank

*P.O. Box 3403, Lake Charles, La. 70602; (318) 494-3319*

| | |
|---|---|
| Total assets managed | $61,000,000 |
| Tax-exempt assets managed: | |
| Total | $33,000,000 |
| Commingled | $12,000,000 |
| Separate | $21,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 42 |
| Separate | 11 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |

Calcasieu Marine National Bank is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis with growth stock. Its fixed-income approach uses interest rate anticipation. Options are used.

The asset mix Jan. 1 was 21% stocks, 66% bonds and 13% cash.

As of the same date, it managed $500,000 in equity index funds and $250,000 in bond index funds.

THE SWIFT. THE BRILLIANT.

There are two 401(k) clients.

The parent company is Burton Industries. Assets under management by the parent, subsidiaries and affiliates total $790 million.

James E. Rickenbacker, trust investment officer, is chief investment officer. Fred Lee, vice president-trust marketing, is client contact.

### California First Capital Management

*7807 Girard Ave., P.O. Box 8489, La Jolla, Calif. 92038; (619) 454-3104*

| | |
|---|---|
| Total assets managed | $119,000,000 |
| Tax-exempt assets managed | $113,000,000 |
| 401(k) assets managed | $10,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

California First Capital Management is an equity manager.

Its equity approach is based on small-cap, aggressive equity and emerging growth, seeking inefficiencies in the small-cap sector.

The asset mix Jan. 1 was 96% stocks and 4% cash.

There are three 401(k) clients.

The parent company is California First Bank. Assets under management by the parent, subsidiaries and affiliates total $3 billion.

William Jeffery III, president, is chief investment officer. John R. French, vice president, is client contact.

### Cambiar Investors Inc.

*8400 E. Prentice Ave., Suite 400, Englewood, Colo., 80111; (303) 793-3939*

| | |
|---|---|
| Total assets managed | $230,000,000 |
| Tax-exempt assets managed | $155,000,000 |
| International assets managed | $25,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |

Cambiar Investors Inc. is an equity manager, combining growth stock and low p/e strategies.

Managers buy stocks of sound companies with low relative p/es at positive inflection points with potential for 50% appreciation.

The asset mix Jan. 1 was 78% stocks and 22% cash. Of the stock holdings, foreign stocks totaled $25 million.

Michael S. Barish, president, is chief investment officer. Client contact is James C. Vogelzang, Vogelzang & Associates, P.O. Box 890, Calistoga, Calif. 94515; (707) 942-4611.

### Cambier Investment Management

*156 Diablo Road, Suite 203, Danville, Calif. 94526; (415) 820-1164*

| | |
|---|---|
| Total assets managed | $6,000,000 |
| Tax-exempt assets managed | $3,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |

Cambier Investment Management is an equity, fixed-income and balanced manager.

For equity, it uses Graham & Dodd analysis to identify low p/e stocks with an emphasis on long-term commitments in undervalued securities.

Sector analysis is used in fixed income.

The asset mix Jan. 1 was 85% stocks and 15% cash.

Fifty stocks are followed closely and 600, generally; 80% of research is generated internally.

James T. Cambier is chief investment officer and client contact.

### Cambridge Realty Capital Advisors Ltd.

*200 W. Superior, No. 303, Chicago, Ill. 60610; (312) 943-1911*

| | |
|---|---|
| Total assets managed | $8,000,000 |
| Tax-exempt assets managed | $0 |

Cambridge Realty Capital Advisors Ltd. is expected visto begin operations the next six to 12 months. It is being formed by its parent, Cambridge Realty Capital Ltd., to manage institutional real estate accounts.

Its approach will be to seek medium- to long-term appreciation through investing in growth sectors of stable, established markets.

Jeffrey A. Davis, president, is the chief investment officer.

### Campbell Advisors Inc.

*530 Fifth Ave., New York, N.Y. 10036; (212) 921-9009*

| | |
|---|---|
| Total assets managed | $947,000,000 |
| Tax-exempt assets managed | $815,000,000 |
| International assets managed | $15,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |

Campbell Advisors Inc. is an equity and balanced manager.

Its sector rotational equity approach is based on growth and emerging growth stock.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 85% stocks and 15% cash. There was $10 million in foreign stocks and $5 million in foreign bonds.

One hundred stocks are followed closely and 250, generally; half of the research is generated internally.

Clients include First Boston Corp., General Dynamics and TRW.

Douglas Campbell Jr., president, is chief investment officer. Kenneth C. Swenson, vice president, is client contact.

### The Campbell Group Inc.

*1 S.W. Columbia, Suite 1720, Portland, Ore. 97258; (503) 226-3077*

| | |
|---|---|
| Total assets managed | $66,000,000 |
| Tax-exempt assets managed | $58,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

The Campbell Group Inc. specializes in timberland acquisition and management.

It purchases timberland at discount from current prices. It harvests at the optimum realization considering growth, maturity, export/domestic demand conditions and market prices.

The asset mix Jan. 1 was 100% timber.

Clients include John Hancock Insurance.

J. Duncan Campbell Jr., president, is chief investment officer. Mark L. Wysong, executive vice president, is client contact.

### Campbell, Newman, Pottinger & Associates Inc.

*777 E. Wisconsin Ave., Milwaukee, Wis. 53202; (414) 276-0380*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | $110,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Campbell, Newman, Pottinger & Associates Inc. is an equity, fixed-income and balanced manager.

In equities it uses a Graham & Dodd approach to identify undervalued growth and low p/e stocks. Market timing is also used.

Its fixed-income approach is passive, emphasizing interest rate anticipation and sector analysis. Quality issues are bought on a value approach.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash. There was $2 million in foreign stocks.

Leonard Campbell Jr. is chief investment officer and client contact.

### Campbell, Reed, Conner & Birdwell Inc.

*11111 Santa Monica Blvd., Suite 1700, Los Angeles, Calif. 90025; (213) 478-4005*

| | |
|---|---|
| Total assets managed | $317,000,000 |
| Tax-exempt assets managed | $145,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Campbell, Reed, Conner & Birdwell Inc. is an equity, fixed-income, balanced and international manager.

THE POWERFUL.

The Asset Managers of Pacific Financial Companies. Ranking in the top 1% of all money managers for over a decade. Out-performing the Shearson/Lehman/Government Corporate Index nine of the last ten years.

Using sophisticated analytic techniques wisely. Being sensitive to market trends. Capitalizing on evolving investment opportunities.

For bond management, equities, and real estate investments, talk to the Asset Managers from the Power of the Pacific.

They are inventive. Successful. For you.

PACIFIC FINANCIAL COMPANIES
THE POWER OF THE PACIFIC

700 Newport Center Drive, Newport Beach, CA 92660
1-800-544-3600

Its equity approach uses growth, emerging growth and low p/e stock with Graham & Dodd analysis the primary method for security selection.

Its fixed-income approach uses interest rate anticipation and sector analysis with a maturity horizon of 24 to 60 months. Only A or better bonds are considered.

The asset mix Jan. 1 was 52% stocks, 38% bonds and 10% cash.

Donn B. Conner is chief investment officer. Neil F. Campbell Jr., director-client services, is client contact.

## Canagex Placements Ltee

*625 Dorchester Ouest, Montreal, Quebec H3B 1R2; (514) 879-9272*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $820,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEFU |
| Minimum separate account | $4,000,000 |
| No. of portfolio managers | 12 |

Canagex Placements Ltee, a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach evaluates historical relative p/e for sectors and individual stocks.

Its fixed-income approach uses interest rate anticipation and sector and duration analysis. It builds interest rate matrixes, based on different economic scenarios, for the next 12 months.

The asset mix Jan. 1 was 35% Canadian stocks, 55% bonds and 10% U.S. stocks.

It follows 100 stocks closely and 200, generally; half the research is generated internally.

The parent company is Laurentian Group. Assets under management by the parent, subsidiaries and affiliates total $10 billion.

Claude Lemire, president, is chief investment officer and client contact.

## James Capel International Asset Management Ltd.

*James Capel House, 6 Bevis Marks, London, England EC3A 7JQ; 01-621-0011*

| | |
|---|---|
| Total assets managed | $1,000,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 80 |

James Capel International Asset Management Ltd. is an international equity and fixed-income manager.

Its equity approach is top-down, concentrating on allocation among asset classes, countries, sectors and currencies. Currency hedging, options, futures and warrants are used.

In fixed income, interest rate anticipation is used. Options, futures and forward exchange contracts are used.

The parent company is James Capel & Co. Assets under management by the parent, subsidiaries and affiliates total $2.2 billion.

Robin Wilson is chief investment officer. Ralph DiFiore, 26 Center St., Darien, Conn., (203) 655-6001, is the client contact.

## Capital Advisors Inc.

*275 Hess Blvd., Box 5367, Lancaster, Pa. 17601; (717) 569-4655*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $500,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |

Capital Advisors Inc. specializes in short-term cash management for institutional portfolios. It emphasizes highly liquid (two- to 10-day) high-quality portfolio structures.

All assets were in cash Jan. 1.

There is one 401(k) client.

Clients include Central and South West Corp., Anderson-Clayton Pension, Houston Industries Retirement and Blue Cross Indiana Pension.

George A. Ominski is chief investment officer. Frank L. Iaquinta Jr., managing director, is client contact.

## Capital Advisors Inc.

*320 S. Boston, 22nd Floor, Tulsa, Okla. 74103; (918) 599-0045*

| | |
|---|---|
| Total assets managed | $320,000,000 |
| Tax-exempt assets managed | $270,000,000 |
| 401(k) assets managed | $10,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CFJG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 2 |

Capital Advisors Inc. is an equity, fixed-income and balanced manager.

Its equity approach is top-down and combines growth stock, sector rotation and market-timing strategies. Managers seek to detect trends that provide investment opportunities or create added risks.

Its fixed-income approach uses interest rate anticipation for investing in U.S. government, agency and high-quality corporate obligations. Maturities are staggered between one and 10 years.

The asset mix Jan. 1 was 55% stocks, 43% bonds and 2% cash. It managed $2 million in equity index funds.

There are eight 401(k) clients.

Seventy-five stocks are followed closely and 500, generally; 20% of research is generated internally.

Clients include Oklahoma Teachers, Hinderliter Industries and United Catalysts.

Richard E. Minshall is chief investment officer. Lawrence Field is client contact.

## Capital Consultants Inc.

*2300 S.W. First Ave., Portland, Ore. 97201; (503) 241-1200*

| | |
|---|---|
| Total assets managed | $602,000,000 |
| Tax-exempt assets managed | $564,000,000 |
| 401(k) assets managed | $212,000 |
| Real estate assets managed | $173,000,000 |
| Mortgage-backed assets managed | $15,000,000 |
| Tax-exempt clients | 72 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

Capital Consultants Inc. is an equity, fixed-income, balanced, real estate and GIC manager.

Its equity approach uses bottom-up quantitative techniques to identify growth and low p/e stocks. Market timing is also used.

Its fixed-income strategy is based on interest rate anticipation, combining its forecast with a duration approach using modest shifts in rate sensitivity and low volatility. Options are used.

Its real estate investments and loans are concentrated in the West, specializing in office, shopping center and industrial properties.

The asset mix Jan. 1 was 29.4% stocks, 31.1% bonds, 8.1% cash, 15.1% equity real estate, 13.7% mortgages and 2.6% mortgage-backed securities. It managed $91 million in equity real estate, $82 million in mortgages and $4 million in dedicated or immunized bonds.

Gregory J. Houser, senior vice president, is chief investment officer. Richard A. Becher, vice president-marketing/client services, is client contact.

*Richard C. Barker*
*Capital Guardian Trust*

## Capital Guardian Trust Co.

*333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9200*

| | |
|---|---|
| Total assets managed | $14,483,000,000 |
| Tax-exempt assets managed: | |
| Total | $14,408,000,000 |
| Commingled | $1,541,000,000 |
| Separate | $12,867,000,000 |
| 401(k) assets managed | $29,000,000 |
| Mortgage-backed assets managed | $300,000,000 |
| International assets managed | $2,398,000,000 |
| Tax-exempt clients: | |
| Commingled | 65 |
| Separate | 106 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 14 |
| Size of research staff | 55 |

Capital Guardian Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach is based on thorough, detailed research and analysis with an emphasis on value.

Its fixed-income approach is two-thirds interest rate anticipation and one-third security selection. It uses detailed research and analysis with an emphasis on value.

The asset mix Jan. 1 was 80% stocks, 8% bonds, 10% cash and 2% mortgage-backed securities; $2.02 billion was in foreign stocks, $54 million in foreign bonds and $325 million in foreign cash.

There is one 401(k) client.

The parent company is The Capital Group Inc. Assets under management by the parent, subsidiaries and affiliates total $32.44 billion.

Richard C. Barker, president, is chief investment officer. John H. Seiter, senior vice president, is client contact.

## Capital Investment Services of America

*700 N. Water St., Suite 325, Milwaukee, Wis. 53202; (414) 278-7744 or (800) 345-6462*

| | |
|---|---|
| Total assets managed | $306,000,000 |
| Tax-exempt assets managed | $202,000,000 |
| 401(k) assets managed | $48,000,000 |
| Tax-exempt clients | 186 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Capital Investment Services of America is an equity, fixed-income and balanced manager.

Its equity approach uses fundamental analysis to identify growth and emerging growth stocks. Sector rotation is also used.

For fixed income, interest rate anticipation and sector analysis are used, emphasizing quality analysis and risk-averse securities. Options and fixed-income futures are used.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

Clifford T. Nilsen, president, is chief investment officer. William C. Ihlenfeld II or William R. Sachse, vice presidents, are client contacts.

## Capital Management Corp.

*417 Central Trust Tower, Cincinnati, Ohio 45202; (513) 621-7790*

| | |
|---|---|
| Total assets managed | $77,000,000 |
| Tax-exempt assets managed | $44,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CFJ |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 2 |

Capital Management Corp. offers equity, fixed-income and balanced management.

Its equity approach emphasizes Graham & Dodd analysis to identify growth and emerging growth stocks. The top-down approach includes macroeconomic and sector analysis; the bottom-up approach includes financial and product analysis. Its fixed-income approach is passive, emphasizing interest rate anticipation.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

Richard T. Miller, vice president, is chief investment officer and client contact.

## Capital Management International of Deutsche Bank

*9 W. 57th St., New York, N.Y. 10019; (212) 832-1630*

| | |
|---|---|
| Total assets managed | $2,048,000,000 |
| Tax-exempt assets managed: | |
| Total | $210,000,000 |
| Separate | $210,000,000 |
| International assets managed | $210,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 65 |

Capital Management International of Deutsche Bank is an equity, fixed-income, balanced, international and global manager.

Its equity approach is active, flexible, value-oriented, fundamentally based and conservative, using growth and low p/e stocks and sector rotation. Managers use a top-down allocation of countries, emphasizing large-cap stocks.

Its fixed-income approach uses interest rate anticipation in conjunction with economic analyses of countries and an assessment of intermediate-term currency movements.

Options are used.

All assets were invested internationally Jan. 1, with 94% in stocks and 6% in bonds.

The parent company is Deutsche Bank A.G. Assets under management by the parent, subsidiaries and affiliates total $70 billion.

Rudolph Heinz, executive vice president, is chief investment officer. Michael Tintelnot, general manager-client relations, and Philip F. Moffat, client services, are client contacts.

## Capital Research & Management Co.

*333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9200*

| | |
|---|---|
| Total assets managed | $15,614,000,000 |
| Tax-exempt assets managed | $3,100,000,000 |
| 401(k) assets managed | $200,000,000 |
| Mortgage-backed assets | $6,000,000 |
| Tax-exempt clients | 590 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 15 |
| Size of research staff | 53 |

Capital Research & Management Co. is an equity, fixed-income, balanced, international and global manager.

Its equity approach is value oriented and is driven by fundamental research. Portfolios are built from the bottom up.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 65% stocks, 12.5% bonds, 22.3% cash and 0.2% mortgage-backed securities.

The firm follows 600 stocks closely and 1,200, generally; more than 90% of research is generated internally.

Parent company is The Capital Group Inc. Assets under management by the parent, subsidiaries and affiliates total $32.44 billion.

Clients include Chicago Transit Authority, University of Oregon Foundation, American Cyanamid and Chevron.

Jon B. Lovelace, chairman, is chief investment officer. Benjamin H. Shattuck, vice president, is client contact.

## Capital Strategy Group Ltd.

*600 Erie Place, Suite 206, Syracuse, N.Y. 13204; (315) 471-1547*

| | |
|---|---|
| Total assets managed | $33,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| International assets managed | $800,000 |
| Tax-exempt clients | 74 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Capital Strategy Group Ltd. is an equity, fixed-income, balanced and international manager.

Its value-oriented equity approach stresses emerging growth and low p/e in seeking undervalued securities.

Its fixed-income approach uses interest rate anticipation, sector analysis and credit analysis/special situations. Managers buy bonds to gain market value when rates drop. They look for yield pickup in undervalued credit plays.

The asset mix Jan. 1 was 34% stocks, 40% bonds, 20% cash and 6% loans and other assets. It had $800,000 in foreign stocks.

Christopher H. DeVoe, executive vice president and manager of research, is chief investment officer.

## Capital Supervisors Inc.

*20 N. Clark St., Suite 700, Chicago, Ill. 60602; (312) 236-8271*

| | |
|---|---|
| Total assets managed | $5,847,000,000 |
| Tax-exempt assets managed | $5,786,000,000 |
| Tax-exempt clients | 55 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 8 |

Capital Supervisors Inc. is an equity, fixed-income and balanced manager.

*A. Lee Thurow*
*Capital Supervisors*

Its equity approach uses sector rotation and market timing. Managers first identify the major trend of the market, then identify sectors that will benefit. Finally, attractive securities are identified within favored sectors.

Its fixed-income approach combines interest rate anticipation and sector analysis. Portfolios are managed actively.

The asset mix Jan. 1 was 48% stocks, 36% bonds and 16% cash.

Seventy-five stocks are followed closely and 125 to 150, generally; 50% of research is generated internally.

Clients include Chicago Public School Teachers, Kentucky and Mercy Hospital.

A. Lee Thurow, chairman, is chief investment officer. James C. Seyfarth, senior vice president, is client contact.

## Capital Technology Inc.

*P.O. Box 2428, Charlotte, N.C. 28211-8240; (704) 541-1437*

| | |
|---|---|
| Total assets managed | $72,000,000 |
| Tax-exempt assets managed | $65,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Capital Technology Inc. is an equity and balanced manager.

Its equity approach uses emerging growth and low p/e stocks, investing in small, fast-growing companies that are selling at low p/es relative to their industry and to the overall market.

The asset mix Jan. 1 was 97% stocks and 3% cash.

The firm follows 175 stocks closely and 300, generally; all research is generated internally.

Clients include Flint, Mich.; Lincoln National; USG; and E-Systems.

Robb W. Rowe, president, is chief investment officer. Robert Mathai is client contact.

## Capitol Bank and Trust Co.

*1 Bulfinch Place, Boston, Mass. 02114; (617) 723-5300*

| | |
|---|---|
| Total assets managed | $248,000,000 |
| Tax-exempt assets managed | $244,000,000 |
| International assets managed | $14,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CFGJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Capitol Bank and Trust Co. is an equity, fixed-income and balanced manager.

Its equity approach is based on Graham & Dodd analysis and low p/e stocks.

Its fixed-income approach uses interest rate anticipation and sector analysis, focusing on maturity and sector swaps in anticipation of secular change. Minor portfolio adjustments are made in anticipation of cyclical developments or market inefficiencies.

The asset mix Jan. 1 was 27% stocks, 70% bonds, 3% cash. It had $14 million in foreign bonds.

The parent company is Capitol Bancorporation.

G. Peter Grote, vice president and senior trust officer, is chief investment officer. Annmarie Gradito is client contact.

International manager profiles will run June 29.

## Profiles

### Capitoline Investment Services Inc.

*919 E. Main St., Richmond, Va. 23219; (804) 782-7222*

| | |
|---|---|
| Total assets managed | $3,341,000,000 |
| Tax-exempt assets managed | $2,200,000,000 |
| Tax-exempt clients | 141 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 14 |
| Size of research staff | 6 |

Capitoline Investment Services Inc. is an equity, fixed-income, balanced and GIC manager. It also offers active short-term cash management.

Its equity approach is opportunistic and changes investment focus based on judgments of relative value.

Its fixed-income approach emphasizes intermediate-term obligations; the maximum average maturity is 10 years. Sector and quality yield spread analysis are used to structure portfolios.

Options are used.

The asset mix Jan. 1 was 24% stocks, 17% bonds, 26% cash and 33% GICs.

One hundred-fifty stocks are followed closely and 830, generally; 40% of research is generated internally.

The parent company is United Virginia Bank.

Clients include Amtrak, Media General, Overnite Transportation and Sweet Briar College.

Ernest C. Frohboese, senior vice president, is chief investment officer. William E. Heisler, vice president and director of marketing, is client contact.

### Cashman, Farrell and Associates

*1285 Drummers Lane, Wayne, Pa. 19087; (215) 688-5900*

| | |
|---|---|
| Total assets managed | $926,000,000 |
| Tax-exempt assets managed | $920,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CEG |
| No. of portfolio managers | 2 |
| Size of research staff | 4 |

Cashman, Farrell and Associates is an equity manager whose approach is contrarian and stresses low p/e stocks.

The asset mix Jan. 1 was 65% stocks and 35% cash.

The firm follows 120 stocks closely and 400, generally; 85% of research is generated internally.

Clients include Rockwell, Boeing, Borden and Pennsylvania State Teachers.

James Farrell, partner, is chief investment officer. Gerald T. Hofmann, partner, is client contact.

### Catanzarite-Zimberoff Asset Management Inc.

*10358 Artesia Blvd., Bellflower, Calif. 90706; (213) 920-9771*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $13,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | CJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Catanzarite-Zimberoff Asset Management Inc. is an equity and balanced manager.

Its equity approach combines Graham & Dodd analysis and growth stock. It concentrates on the economic environment and specific fundamentals of a company. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 40% stocks, 48% bonds and 12% cash.

The parent company is Catanzarite & Co. Assets under management by the parent, subsidiaries and affiliates total $20 million.

Dorothea Zimberoff, executive vice president, is chief investment officer and client contact.

### Cedar Hill Associates Inc.

*33 N. LaSalle St., Suite 2600, Chicago, Ill. 60602; (312) 641-3161*

| | |
|---|---|
| Total assets managed | $56,000,000 |
| Tax-exempt assets managed | $40,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Cedar Hill Associates is an equity, fixed-income and balanced manager.

Its equity approach is based on Graham & Dodd principles. Using computer screens, the firm selects issues that appear quantitatively cheap, based upon effective combinations of book value, earnings, dividends and market capitalization within the S&P.

The fixed-income approach is based on total return, identifying critical turning points in interest rates.

The asset mix Jan. 1 was 89% stocks, 9% bonds and 2% cash.

Forty stocks are followed closely and 500, generally. Research is internal.

Clients include the Illinois Teachers.

Joel H. Jastromb, president, is chief investment officer and client contact.

### Centerre Trust Co. of St. Louis

*510 Locust St., St. Louis, Mo. 63101; (314) 436-9265*

| | |
|---|---|
| Total assets managed | $9,632,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,365,000,000 |
| Commingled | $575,060,000 |
| Separate | $3,790,000,000 |
| 401(k) and 457 assets managed | $350,000,000 |
| Mortgage-backed assets managed | $800,000,000 |
| International assets managed | $158,000,000 |
| Tax-exempt clients: | |
| Commingled | 550 |
| Separate | 180 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 13 |
| Size of research staff | 6 |

Centerre Trust Co. of St. Louis is an equity, fixed-income, balanced, real estate, international and 501(c)(9) manager.

Its equity buy and sell discipline is driven by a quantitative valuation process based on long-term growth and profitability. Sector selection, sector diversification and concentration methods are employed.

Its fixed-income approach uses constant monitoring of economic conditions to forecast interest rates.

Options are used.

For real estate, Centerre acts as a manager of managers.

The asset mix Jan. 1 was 25% stocks, 66% bonds, 5% cash and 4% international equity; there was $800 million in mortgage-backed securities included in the bond allocation, $300 million in equity index funds and $100 million in dedicated or immunized bond portfolios.

There are 100 401(k) clients.

Centerre Bancorporation is the parent company.

Jim McGuire is chief investment officer. Richard W. Hibbs, vice president and director of employee benefits marketing, is client contact.

In *Pensions & Investment Age*'s annual survey of investment advisory firms, "tax-exempt assets" refers to U.S. institutional tax-exempt assets only and does not include individuals, IRAs or Keogh plans.

### Centre Square Investment Group Inc.

*1700 Market St., Philadelphia, Pa. 19101; (215) 786-7070*

| | |
|---|---|
| Total assets managed | $972,000,000 |
| Tax-exempt assets managed | $928,000,000 |
| 401(k) and 457 assets managed | $144,000,000 |
| Tax-exempt clients | 158 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |

Centre Square Investment Group Inc. is an equity, fixed-income, balanced and cash investment manager.

Its equity approach is to select high-quality companies having accelerating earnings momentum with potential for market appreciation. Managers package industry sectors and trade at the margin in core positions to reduce risk.

Its fixed-income approach is to structure portfolios to resemble but outperform the Shearson Lehman Government/Corporate Bond index through shifts in asset allocations, maturities and durations.

The asset mix Jan. 1 was 60% stocks and 40% bonds.

There were 21 401(k) and 457 plan clients.

The parent company is First Pennsylvania Corp. Assets under management by the parent, subsidiaries and affiliates total $8.1 billion.

Donald E. Carver, president, is chief investment officer. Brett P. Wilder, senior vice president, is client contact.

### Chase Investment Counsel

*300 Preston Ave., Suite 403, Charlottesville, Va. 22901; (804) 293-9104*

| | |
|---|---|
| Total assets managed | $230,000,000 |
| Tax-exempt assets managed | $187,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Chase Investment Counsel Corp. is an equity, fixed-income and balanced manager.

Its active equity approach stresses undervalued, low p/e and growth stocks with good continuity of earnings and intermediate market capitalization.

Its active fixed-income approach uses interest rate anticipation with a short- to intermediate-term orientation.

The asset mix Jan. 1 was 71% stocks, 7% bonds and 22% cash.

Derwood S. Chase Jr. is chief investment officer and client contact.

*Stephen E. Canter*
*Chase Investors Management*

### Chase Investors Management Corp.

*1211 Avenue of the Americas, New York, N.Y. 10036; (212) 730-2967*

| | |
|---|---|
| Total assets managed | $17,300,000,000 |
| Tax-exempt assets managed | $15,500,000,000 |
| 401(k) assets managed | $503,000,000 |
| Real estate assets managed | $78,000,000 |
| Mortgage-backed assets managed | $109,000,000 |
| International assets managed | $3,301,000,000 |
| Tax-exempt clients | 79 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 60 |

Chase Investors Management Corp. is an equity, fixed-income, balanced, real estate, international, oil and gas, cash and index fund manager.

Its equity approach offers passive, growth stock, emerging growth, sector rotation and low p/e strategies. Managers seek to identify opportunities through fundamental Graham & Dodd analysis and anticipation of change.

Its active fixed-income approach uses sector analysis, interest rate forecasts and emphasizes credit quality and marketability. It also offers passive management.

Its real estate approach stresses institutional quality properties and flexible investment structures.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 29.5% stocks, 18.2% bonds, 27.6% cash, 0.5% equity real estate, 0.7% mortgage-backed securities and 23.5% oil and gas and international.

On Jan. 1, it had $77.5 million in equity real estate, $1.1 billion in foreign stocks, $2.2 billion in foreign bonds, $600,000 in foreign cash, $396 million in equity index funds, $50 million in bond index funds and $1.5 billion in immunized bond portfolios.

There are four 401(k) clients.

The parent company is Chase Manhattan Corp. Asset under management by the parent, subsidiaries and affiliates total $88 billion.

Stephen E. Canter, president, is chief investment officer. Mary Ellen Weissinger, sales director, is client contact.

### Chelsea Management Co.

*888 W. Sixth St., Los Angeles, Calif. 90017; (213) 362-9200*

| | |
|---|---|
| Total assets managed | $410,000,000 |
| Tax-exempt assets managed | $307,000,000 |
| Tax-exempt clients | 59 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 7 |

Chelsea Management Co. is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, emphasizing growth and undervalued stocks, market timing and sector rotation.

Its fixed-income approach is passive.

Options, stock index futures and fixed-income futures are used.

Forty stocks are followed closely and 600, generally; 40% of the firm's research is internally generated.

Frederick J. Ruopp is chief investment officer and client contact.

### Chestertons USA

*630 Fifth Ave., Suite 3170, New York, N.Y. 10111; (212) 765-1540*

| | |
|---|---|
| Total assets managed | $163,000,000 |
| Tax-exempt assets managed | $163,000,000 |
| Real estate assets managed | $163,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Chestertons USA is a real estate manager that purchases high-profile, outstanding commercial properties in major markets for income and appreciation. It handles specialized acquisition and management for a limited number of clients.

The asset mix Jan. 1 was 88% equity real estate and 12% mortgages.

The parent company is Chesterton Lalonde. Total assets under management by the parent company, subsidiaries and affiliates exceed $500 million.

George R. Fryer is chief investment officer. James J. Brinkerhoff is client contact.

### Chicago Asset Management

*11 S. LaSalle St., Suite 2800, Chicago, Ill. 60603; (312) 372-7469*

| | |
|---|---|
| Total assets managed | $325,000,000 |
| Tax-exempt assets managed | $325,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

Chicago Asset Management Co. is an equity, fixed-income and balanced

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Providence, Rhode Island

manager.

Its equity approach is value-oriented and bottom-up.

About 70 stocks are followed closely and 200, generally. Less than half of the research is generated internally.

The parent company is United Asset Management. Total assets under management by the parent company, subsidiaries and affiliates are $17.824 billion.

Jon F. Holsteen is chief investment officer and client contact.

### Chicago Corp.

*208 S. LaSalle, Chicago, Ill. 60604; (312) 855-5985*

| | |
|---|---|
| Total assets managed | $700,000,000 |
| Tax-exempt assets managed | $400,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 56 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 12 |

Chicago Corp. is an equity, fixed-income and balanced manager.

Its equity approach stresses stocks with consistent growth over an economic cycle that sell at undervalued multiples.

Its fixed-income approach uses interest rate anticipation. Long bonds are bought when interest rates are declining.

The asset mix Jan. 1 was 48% stocks, 48% bonds and 4% cash.

There are two 401(k) clients.

Four hundred stocks are followed closely and 2,000, generally; all research is generated internally.

Clients include Retirement Research Foundation, Staley Continental and Chicago Police.

Jon Ender, senior vice president, is chief investment officer. Charles Klimkowski, vice president, is client contact.

### Churchill Management Corp.

*5900 Wilshire Blvd., Suite 600, Los Angeles, Calif. 90036; (213) 937-7110*

| | |
|---|---|
| Total assets managed | $190,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| 401(k) assets managed | $8,000,000 |
| Real estate assets managed | $8,000,000 |
| Mortgage-backed assets managed | $1,000,000 |
| Tax-exempt clients | 64 |
| Types of accounts managed | CJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 4 |

Churchill Management Corp. is a balanced and real estate manager.

Its equity approach combines growth and low p/e stocks and market timing.

Its fixed-income approach is primarily passive, with maturity lengths based on intermediate-term forecasts.

In real estate, it stresses conservative long-term investments in commercial, office and industrial properties.

The asset mix Jan. 1 was 30% stocks, 50% bonds, 11% cash, 5% equity real estate, 3% mortgages and 1% mortgage-backed securities.

There are two 401(k) clients.

Fred A. Fern, president, is chief investment officer. Steven P. Mann, vice president, is client contact.

### CIGNA Asset Advisers

*Hartford, Conn. 06152; (203) 726-6000*

| | |
|---|---|
| Total assets managed | $44,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $20,795,000,000 |
| Pooled accounts | $3,483,000,000 |
| Separate accounts | $2,488,000,000 |
| GICs | $1,825,000,000 |
| Annuities | $864,000,000 |
| Other | $12,135,000,000 |
| 401(k) and 457 assets managed | $1,500,000,000 |
| Real estate assets managed | $1,083,000,000 |
| International assets managed | $83,000,000 |
| Tax-exempt clients | 1,526 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 17 |

CIGNA Asset Advisers Inc. is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach is to select stocks at a discount to their value as ongoing businesses, based on analysis of underlying earnings growth, balance sheet and cash flow.

Its fixed-income approach is top-down with emphasis on analyzing and identifying trends in economic and business cycles that produce significant changes in interest rates.

Its real estate approach is a disciplined system employing top-down portfolio management with concentration in moderate-size, suburban properties. Value is added through detailed planning and incentives.

The separate accounts asset mix Jan. 1 was 33% stocks, 35% bonds, 12% cash and 20% equity real estate.

There was $1.083 billion in equity real estate and $82.7 million in foreign stocks.

There are 1,400 401(k)/457 clients.

The parent company is CIGNA Corp. Total assets under management by the parent company, affiliates and subsidiaries is $44.1 billion.

Clients include Connecticut, Kellogg, Yale and United Methodist Church.

Richard W. Maine of CIGNA Investments Inc. is chief investment officer. Richard R. Anderson, senior vice president, is client contact.

### CIMG Inc.

*P.O. Box 17500, Milwaukee, Wis. 53217; (414) 241-4575*

| | |
|---|---|
| Total assets managed | $125,000,000 |
| Tax-exempt assets managed | $58,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 63 |
| Types of accounts managed | CFG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |

CIMG Inc. is an equity, fixed-income and balanced manager.

Its sector rotational equity approach concentrates on stocks and market sectors with accelerating earnings and sales fundamentals. Sectors are emphasized vs. market diversification.

In fixed-income, it uses interest rate anticipation driven by momentum of monetary, economic and market variables.

The asset mix Jan. 1 was 55% stocks and 45% bonds.

There was one 401(k) client.

Louis T. Chambers, president, is chief investment officer. Lyle F. Warnock, executive vice president, is client contact.

*Robert G. Wade Jr.*
*Citicorp Investment Management*

### Citicorp Investment Management Inc.

*Citicorp Center, 153 E. 53rd St., New York, N.Y. 10043; (212) 559-9700*

| | |
|---|---|
| Total assets managed | $26,600,000,000 |
| Tax-exempt assets managed | $18,608,000,000 |
| 401(k) assets managed | $561,000,000 |
| Real estate assets managed | $451,000,000 |
| Mortgage-backed assets managed | $77,000,000 |
| International assets managed | $4,727,000,000 |
| Tax-exempt clients | 382 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 32 |
| Size of research staff | 29 |

Citicorp Investment Management Inc. is an equity, fixed-income, balanced, real estate, international, GIC, venture capital, index, immunization futures, special equity and cash manager. It also offers tactical asset allocation.

Its equity approach is growth-oriented, relying heavily on positive earnings revisions. Equal emphasis is placed on fundamental research, quantitative disciplines and valuation models in determining weightings.

In fixed-income, it shifts portfolio sector, quality, coupon, issuer, duration and currency profiles in response to early identification of changes in the social, political and economic climate.

Options, stock index futures and fixed-income futures are used.

Its real estate approach emphasizes prime, income-producing properties in major cities with investments structured as direct-equity ownerships and convertible participating mortgages.

The asset mix Jan. 1 was 60% stocks, 24.5% bonds, 12% cash, 2% equity real estate, 1% mortgages and 0.5% mortgage-backed securities.

There was $319 million in equity real estate; $132 million in mortgages; $77 million in mortgage-backed securities; $1.87 billion in foreign stocks; $2.57 billion in foreign bonds; $284 million in foreign cash; $499 million in equity index funds; and $261 million in dedicated or immunized portfolios.

The parent company is Citicorp. Assets under management by the parent, subsidiaries and affiliates total $49.18 billion.

Robert G. Wade Jr. is chief investment officer. Joan McIlroy, vice president, is client contact.

### Citizens Fidelity Bank & Trust Co.

*P.O. Box 33000, Louisville, Ky. 40232; (502) 581-2392*

| | |
|---|---|
| Total assets managed | $2,080,000,000 |
| Tax-exempt assets managed: | |
| Total | $690,000,000 |
| Commingled | $295,000,000 |
| Separate | $395,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Mortgage-backed assets managed | $75,000,000 |
| International assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Commingled | 305 |
| Separate | 215 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

Citizens Fidelity Bank & Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach uses Graham & Dodd analysis with low p/e stocks. Computer screening techniques are used to track more than 6,000 companies.

For fixed-income, the bank emphasizes sector and yield curve analysis, buying only securities with maturities of less than 10 years.

Options are used.

The asset mix Jan. 1 was 40% stocks, 40% bonds, 10% cash and 10% mortgage-backed securities. There was $5 million in foreign stocks, $25 million in equity index funds and $60 million in dedicated or immunized portfolios.

There are 10 401(k) and 457 savings plan clients.

Ronald J. Murphy, senior vice president, is chief investment officer. Craig D. Grant, vice president, is client contact.

### Claremont Co.

*250 W. First St., Suite 220, Claremont, Calif. 91711; (714) 625-1441*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| 401(k) assets managed | $1,000,000 |
| Mortgage-backed assets managed | $1,000,000 |
| International assets managed | $400,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 8 |

Claremont Co. is an equity, fixed-income and balanced manager.

It uses a multimanager approach, employing three to four outside managers with varying, but fundamental, styles in each of its bond, equity and balanced pools.

Its fixed-income approach is based on interest rate anticipation, using only government securities.

The asset mix Jan. 1 was 43% stocks, 27% bonds, 23% cash and 7% mortgage-backed securities. It had $1 million in mortgage-backed securities and $400,000 in foreign stocks.

There are two 401(k) clients.

John Rutledge is chief investment officer. Deborah Allen Olivier is client contact.

### CMB Investment Counselors

*1880 Century Park E., Suite 600, Los Angeles, Calif. 90067; (213) 557-1500*

| | |
|---|---|
| Total assets managed | $3,500,000,000 |
| Tax-exempt assets managed | $2,600,000,000 |
| Mortgage-backed assets managed | $560,000,000 |
| International assets managed | $31,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 9 |

CMB Investment Counselors is an equity, fixed-income, balanced and mortgage pass-through securities manager.

Its equity approach is growth stock and value-based. The firm seeks good relative value among stocks with strong sales and earning momentum across five analytical categories: major growth; developing growth; credit cyclical; cyclical value; and asset value.

It takes a value-oriented fixed-income approach focusing on sector analysis. It seeks broad areas of un-


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Indianapolis, Indiana

dervaluation among government, corporate and mortgage pass-through securities.

The asset mix Jan. 1 was 22% stocks, 48% bonds, 8% cash and 22% mortgage-backed securities. It had $31 million in foreign bonds.

The parent company is First Bank System. Total assets under management by the parent company, subsidiaries and affiliates is $3.452 billion.

Clients include Los Angeles County Employees, Amoco and Sheet Metal Workers.

Thomas J. Steffanci, senior managing director, is chief investment officer. Gordon C. Coomans, managing director, is client contact.

### CM&M Asset Management

*1613 Spruce St., Philadelphia, Pa. 19103; (215) 546-8210*

| | |
|---|---|
| Total assets managed | $135,000,000 |
| Tax-exempt assets managed | $90,000,000 |
| 401(k) assets managed | $16,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

CM&M Asset Management Co. Inc. is a fixed-income manager that takes a fundamental, technical and quantitative approach to decision-making. Interest rate anticipation and sector analysis are used.

All assets were in bonds on Jan. 1. Fixed-income futures are used.

The parent company is CM&M Group Inc.

Clients include AMAX, Howmet and Fuqua Industries.

Anthony J. Basile, chief portfolio officer, is chief investment officer and client contact.

### Coldwell Banker

*533 Fremont, Los Angeles, Calif. 90071; (213) 613-3123*

| | |
|---|---|
| Total assets managed | $775,000,000 |
| Tax-exempt assets managed | $775,000,000 |
| Real estate assets managed | $775,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEFG |
| Minimum separate account | $20,000,000 |

Coldwell Banker, a real estate manager, targets properties of $5 million to $20 million after in-depth physical review by engineers and approval by an investment committee. The firm increases value of property prior to sale by increasing rent curve through aggressive leasing efforts and constant monitoring of market activity; disposition is based on timing.

All assets Jan. 1 were in equity real estate.

Its parent company is Sears, Roebuck & Co.

Clients include AT&T, ITT, Pfizer and Alcoa.

Tad Jones, president, is chief investment officer. James G. Nugent, senior vice president, is client contact.

### Colorado National Asset Management

*P.O. Box 5168, Denver, Colo. 80217; (303) 892-4203*

| | |
|---|---|
| Total assets managed | $900,000,000 |
| Tax-exempt assets managed: | |
| Total | $300,000,000 |
| Commingled | $80,000,000 |
| Separate | $220,000,000 |
| 401(k) and 457 assets managed | $50,000,000 |
| Tax-exempt clients: | |
| Commingled | 200 |
| Separate | 20 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 7 |

Colorado National Asset Management is an equity, fixed-income and balanced manager.

Its equity approach is yield and value-oriented using Graham & Dodd analysis.

Its fixed-income approach is based on sector analysis. It does a historical spread analysis to swap from rich to cheap sectors.

The asset mix Jan. 1 was 53% stocks, 40% bonds and 7% cash.

There are 55 401(k) and 457 clients.

One hundred fifty stocks are followed closely and 1,000, generally; 75% of research is generated internally.

Colorado National Bank is the parent company.

Robert J. Alder is chief investment officer. Coleman R. Robinson is client contact.

### Columbia Management Co.

*1300 S.W. Sixth Ave., P.O. Box 1350, Portland, Ore. 97207; (503) 222-3600*

| | |
|---|---|
| Total assets managed | $5,222,000,000 |
| Tax-exempt assets managed | $4,347,000,000 |
| 401(k) assets managed | $76,000,000 |
| Mortgage-backed assets managed | $391,000,000 |
| Tax-exempt clients | 61 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 10 |

Columbia Management Co. is an equity, fixed-income, balanced and GIC manager.

*James F. Rippey*
*Columbia Management Co.*

Its top-down equity approach uses sector rotation and growth stock.

Its fixed-income approach uses sector analysis. Its objectives are to maximize return, avoid credit risk and avoid price volatility. Portfolio structures emphasize mortgage pass-throughs and active management.

Stock index futures are used.

The asset mix Jan. 1 was 59% stocks, 17% bonds, 15% cash and 9% mortgage-backed securities. It had $70 million in immunized bond portfolios.

There are 38 401(k) clients.

Three hundred stocks are followed closely and 2,000, generally; 75% of the research is generated internally.

Clients include Oregon Public Employees, Operating Engineers Locals 612 and 302, Bechtel Power and R.K. Mellon Foundation.

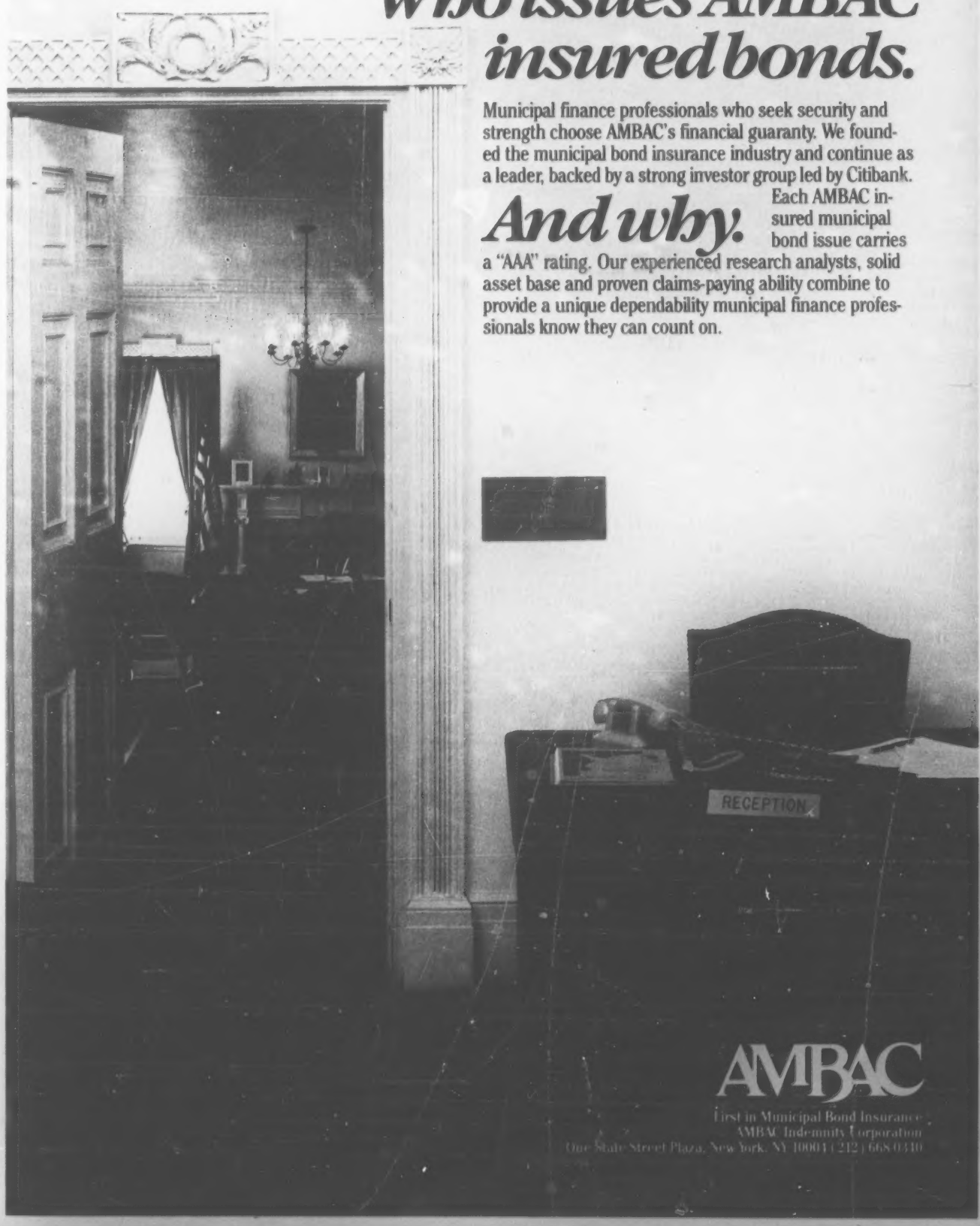
James F. Rippey, president, is chief investment officer. Chad L. Fleischman is the client contact.

### Columbus Circle Investors

*75 Rockefeller Center, 27th Floor, New York, N.Y. 10019; (212) 397-8760*

| | |
|---|---|
| Total assets managed | $1,778,000,000 |
| Tax-exempt assets managed | $470,000,000 |
| Mortgage-backed assets managed | $28,000,000 |
| International assets managed | $500,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 7 |

Columbus Circle Investors Corp. is an equity, fixed-income and balanced

manager.

Its equity approach uses growth stocks, sector rotation and market timing. It seeks companies whose essential story elements are exceeding expectations and demonstrating positive momentum and surprise.

Its fixed-income approach uses interest rate anticipation and sector analysis, focusing on factors affecting maturity and quality.

Options are used.

The asset mix Jan. 1 was 34% stocks, 53% bonds and 13% cash. There was $500,000 in foreign bonds and $150 million in dedicated or immunized bond portfolios.

The parent company is Thomson McKinnon Asset Management. Assets under management by the parent, subsidiaries and affiliates total $4.1 billion.

Irwin F. Smith, president, is chief investment officer. Win Headley, vice president, is client contact.

### Comerica Bank-Detroit

*211 W. Fort St., Detroit, Mich. 48275-1034; (313) 222-5043*

| | |
|---|---|
| Total assets managed | $4,582,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,500,000,000 |
| Commingled | $550,000,000 |
| Separate | $1,950,000,000 |
| 401(k) and 457 assets managed | $150,000,000 |
| Tax-exempt clients: | |
| Commingled | 900 |
| Separate | 100 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 3 |

Comerica Bank-Detroit is an equity, fixed-income, balanced and international manager.

Its equity approach is to buy common stocks with above-average earnings growth and profitability.

It uses passive and sector analysis approaches in fixed-income investments, buying high-quality, intermediate-term securities.

Options are used.

The asset mix Jan. 1 was 25% stocks, 50% bonds and 25% cash.

The bank managed $25 million in dedicated or immunized bond portfolios Jan. 1. It had 110 401(k) and 457 plan clients.

The parent company is Comerica Inc. Assets under management by the parent, subsidiaries and affiliates total $5.53 billion.

Clients include City of Detroit, Blue Cross/Blue Shield and Detroit Edison.

Manown Kisor Jr., executive vice president, is chief investment officer. Robert J. Kay, assistant vice president, is client contact.

### Commerce Bank of Kansas City

*P.O. Box 419248, Kansas City, Mo. 64141-6248; (816) 234-2000*

| | |
|---|---|
| Total assets managed | $1,036,000,000 |
| Tax-exempt assets managed: | |
| Total | $242,000,000 |
| Commingled | $72,000,000 |
| Separate | $170,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Tax-exempt clients: | |
| Commingled | 73 |
| Separate | 250 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |

Commerce Bank of Kansas City N.A. is an equity, fixed-income, balanced and GIC manager.

Its equity approach emphasizes market timing and its fixed-income approach is driven by interest rate anticipation. Depending on the market outlook, managers will go as high as 60% cash in equity or fixed-income portfolios to preserve capital in a falling market.

The asset mix Jan. 1 was 29% stocks, 38% bonds and 33% cash.

There are 37 401(k) and 457 plan clients.

George Wood is chief investment officer. Steve Swett is client contact.

### Commerce Bank of St. Louis

*8000 Forsyth, St. Louis, Mo. 63105; (314) 854-7328*

| | |
|---|---|
| Total assets managed | $750,000,000 |
| Tax-exempt assets managed: | |
| Total | $235,000,000 |
| Commingled | $29,000,000 |
| Separate | $206,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 93 |
| Separate | 267 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |

Commerce Bank of St. Louis N.A. is an equity, fixed-income and balanced manager.

Its equity approach is based on relative earnings growth and relative p/e comparisons.

Its fixed-income approach is based on interest rate anticipation, with the average maturity adjusted as intermediate-term trends are identified.

The asset mix Jan. 1 was 50% stocks, 45% bonds and 5% cash.

The bank had four 401(k) and 457 plan clients.

The parent company is Commerce Bancshares. Assets under management by the parent, subsidiaries and affiliates total $1.75 billion.

Carl C. Enloe, senior vice president-investments, is chief investment officer. Richard E. Drummond, senior vice president-marketing, is client contact.

### Commerce Capital Management

*1 Commerce Square, Suite 1175; Memphis, Tenn. 38150-0003; (901) 523-3056*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed: | |
| Total | $100,000,000 |
| Commingled | $16,000,000 |
| Separate | $84,000,000 |
| 401(k) and 457 assets managed | $20,000,000 |
| International assets managed | $12,000,000 |
| Tax-exempt clients: | |
| Commingled | 150 |
| Separate | 90 |
| Types of accounts managed | CEFG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Commerce Capital Management is an equity, fixed-income and balanced manager.

Its equity approach is based on Graham & Dodd analysis; its fixed-income approach is passive. Options are used.

The asset mix Jan. 1 was 50% stocks and 50% bonds.

It managed $12 million in foreign stocks and had 15 401(k) and 457 plan clients.

The parent company is National Commerce Bancorp.

James Beasley Wellford is the client contact.

### Commerce Investment Management Inc.

*850 NBC Center, Lincoln, Neb. 68508; (402) 474-4383*

| | |
|---|---|
| Total assets managed | $103,000,000 |
| Tax-exempt assets managed | $68,000,000 |
| 401(k) assets managed | $31,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| Portfolio insurance | $63,000,000 |
| No. of portfolio managers | 3 |

Commerce Investment Management Inc. is an equity, fixed-income and balanced manager.

Its top-down equity approach emphasizes growth stock and sector rotation.

The fixed-income approach also is top-down, using interest rate anticipation and sector analysis.

Stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 80% stocks, 5% bonds and 15% cash.

There is one 401(k) client and six portfolio insurance clients.

Gaylan C. Abood is chief investment officer and client contact.

### Commodity Management Service Corp.

*327 S. LaSalle St., No. 800, Chicago, Ill. 60604; (312) 922-3662*

| | |
|---|---|
| Total assets managed | $1,000,000 |
| Tax-exempt assets managed | $100,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | J |
| Minimum separate account | $75,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Commodity Management Service Corp. is a futures manager.

Its emphasizes market timing and technical, quantitative model timing. Fixed-income futures are used.

The asset mix Jan. 1 was 50% cash and 50% futures.

All research is generated internally.

Donald L. Jones is chief investment officer. Roger A. Lofstrand is client contact.

### The Common Fund

*363 Reef Road, P.O. Box 940, Fairfield, Conn. 06430; (203) 254-1211*

| | |
|---|---|
| Total assets managed | $4,950,000,000 |
| Tax-exempt assets managed | $4,950,000,000 |
| International assets managed | $635,000,000 |
| Tax-exempt clients | 802 |
| Types of accounts managed | E |

The Common Fund is an equity, fixed-income, balanced, international and asset allocation manager.

Its equity approach uses 23 managers in commingled programs that use multiple investment techniques, including emerging growth, growth and low p/e stocks, Graham & Dodd and quantitative analysis, market timing and country selection.

Its fixed-income approach uses eight managers employing multiple investment techniques, including interest rate anticipation, sector analysis and country selection.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 30% stocks, 15% bonds and 55% cash. There was $425 million in foreign stocks and $210 million in foreign bonds.

George J. Keane, president, is chief investment officer.

### Computime Institutional Services Inc.

*26 W. Ninth St., New York, N.Y. 10011; (212) 777-9494*

| | |
|---|---|
| Total assets managed | $3,000,000 |
| Tax-exempt assets managed | $3,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 5 |

Computime Institutional Services Inc. is an equity manager emphasizing sector rotation.

All assets were in stocks Jan. 1.

Options and stock index futures are used.

All listed stocks are followed closely; all research is generated internally.

David M. Levin is chief investment officer and client contact.

### Comstock Partners Inc.

*45 Broadway, New York, N.Y. 10006; (212) 363-5555*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Comstock Partners Inc., a new firm, is a total return manager. Its intention is to be in the right type of management/investment depending on the economic climate.

Its equity approach uses sector rotation and market timing; the bottom-up approach stresses basic fundamentals when seeking value.

In fixed-income it looks for investments that would also provide capital appreciation.

Options, stock index futures and fixed-income futures are used.

Stanley D. Salvigsen, chairman and chief executive officer, is chief investment officer. Charles Minter, vice chairman, is client contact.

### Concord Capital Management

*2800 Campus Drive, San Mateo, Calif. 94403; (415) 572-0400*

| | |
|---|---|
| Total assets managed | $1,885,000,000 |
| Tax-exempt assets managed | $1,885,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| Size of research staff | 6 |

Concord Capital Management is an equity manager.

Its equity approach is opportunistic, developing themes and identifying groups of stocks that managers believe are undervalued.

The asset mix Jan. 1 was 96% stocks and 4% cash.

One hundred stocks are followed closely and 200, generally; 85% of research is generated internally.

Clients include IBM, Ford, Connecticut and the Rockefeller Foundation.

Harold L. Arbit, president, is chief investment officer. Edward D. Matz Jr., senior vice president-marketing, is client contact.

### Confederation Life Insurance Co.

*P.O. Box 105103, Atlanta, Ga. 30348; (404) 953-5100*

| | |
|---|---|
| Total assets managed | $524,000,000 |
| Tax-exempt assets managed: | |
| Total | $524,000,000 |
| Pooled accounts | $31,000,000 |
| Separate accounts | $5,000,000 |
| GICs | $484,000,000 |
| Annuities | $4,000,000 |
| 401(k) and 457 assets managed | $125,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 161 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 18 |

Confederation Life Insurance Co. is an equity, fixed-income, balanced and international manager.

Its equity approach is based on Graham & Dodd analysis.

Its fixed-income approach bases the portfolio's duration on interest rate forecasts and/or current economic statistics and trends. Shifts are gradual.

The separate accounts asset mix Jan. 1 was 65% stocks, 21% bonds and 14% cash; $2 million was in foreign stocks.

There are 130 401(k) and 457 plan clients.

Total assets under management by Confederation Life Insurance Co., its subsidiaries and affiliates total $6.9 billion.

J. Clive Curtis, vice president-U.S. investments, is chief investment officer. Gordon F. Grigor, vice president-group pensions, is client contact.

### Confed Investment Counselling Ltd.

*321 Bloor St. E., Toronto, Ontario M4W 1H1; (416) 323-8162*

| | |
|---|---|
| Total assets managed | $2,723,000,000 |
| Tax-exempt assets managed | $2,723,000,000 |
| Real estate assets managed | $114,000,000 |
| Tax-exempt clients | 536 |
| Types of accounts managed | CPU |
| Minimum separate account | $2,500,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 14 |

Confed Investment Counselling Ltd., a Canadian firm, is an equity, fixed-income, balanced and real estate manager.

Its equity approach is based on Graham & Dodd analysis, concentrating on shares of companies with high sustainable return on equity produced by asset turnovers and margins.

Its fixed-income approach uses interest rate anticipation and trading.

In real estate, it holds non-residential income-producing properties diversified by geographic location and type.

It follows 250 stocks closely and 325, generally; 70% of the research is generated internally.

The parent company is Confederation Life Insurance Co. Total assets under management by the parent company, subsidiaries and affiliates are $6.996 billion.

John H. Watson, vice president-investments, is chief investment officer. Frank G. Ryan, assistant vice president-group pension marketing, is client contact.

### Connecticut Mutual Life Insurance Co.

*140 Garden St., Hartford, Conn. 06154; (203) 727-6500*

| | |
|---|---|
| Total assets managed | $9,142,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,232,000,000 |
| Pooled accounts | $168,000,000 |
| GICs | $1,564,000,000 |
| Other | $500,000,000 |
| 401(k) assets managed | $1,000,000,000 |
| International assets managed | $13,000,000 |
| Tax-exempt clients | 190 |
| Types of accounts managed | CEFJ |
| No. of portfolio managers | 8 |
| Size of research staff | 20 |

Connecticut Mutual Life Insurance Co. is an equity, fixed-income and international manager. It offers a non-discretionary asset allocation service.

Its two equity approaches are top down (CM Select) and bottom up (CM Equities). CM Select invests in various asset classes depending on the financial environment. CM Equities uses low p/e stocks.

Its fixed-income approach uses high-yield bonds and convertible securities, looking primarily for emerging credit situations and issues that have experienced a credit downgrade and are on the way to an upgrade.

Options and stock index futures are used.

The separate accounts asset mix Jan. 1 was 47% stocks, 20% bonds, 25% cash and 8% non-U.S. equities.

There are 600 401(k) clients.

Robert E. Stevens, executive vice president, is chief investment officer. Gary E. Lineberry, vice president-group pension sales and marketing, is client contact.

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The master trust directory will be published Sept. 7.

### 25 largest managers of equity index funds

| Manager | $ millions |
|---|---|
| Wells Fargo Investment Advisors | 34,331 |
| Bankers Trust-Investment Management Group | 19,500 |
| State Street Bank and Trust | 8,361 |
| American National Bank & Trust, Chicago | 8,250 |
| Mellon Capital Management | 7,500 |
| Dimensional Fund Advisors | 2,954 |
| Alliance Capital Management | 2,885 |
| Wilshire Asset Management | 2,500 |
| Prudential Asset Management Group | 897 |
| Northern Trust/Strategic Investment Services | 800 |
| Boston Co. | 517 |
| Citicorp Investment Management | 499 |
| RepublicBank Dallas | 410 |
| Chase Investors Management | 396 |
| Tenneco Asset Management | 319 |
| Centerre Trust | 300 |
| Manufacturers National Bank of Detroit | 300 |
| Harris Trust & Savings Bank | 276 |
| T. Rowe Price Associates | 240 |
| First Interstate Bank of California | 162 |
| Metropolitan Life Insurance | 132 |
| BA Investment Management | 129 |
| Travelers Cos. | 112 |
| Derivative Markets Management | 84 |
| Irving Trust | 70 |
| **Total** | **91,924** |

### Connecticut National Bank

*777 Main St., Hartford, Conn. 06115; (203) 728-2000*

| | |
|---|---|
| Total assets managed | $5,497,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,994,000,000 |
| Commingled | $556,000,000 |
| Separate | $2,438,000,000 |
| 401(k) and 457 assets managed | $28,000,000 |
| Tax-exempt clients: | |
| Commingled | 485 |
| Separate | 344 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 26 |
| Size of research staff | 10 |

Connecticut National Bank is an equity, fixed-income and balanced manager.

Its equity approach is fundamental, based on the bank's analysis and research on specific growth and emerging growth industries and companies. The firm uses several valuation techniques to determine price.

Its fixed-income approach emphasizes broad trends in interest rates and positioning along the yield curve relative to the projected interest rate moves. Sector analysis is employed.

The asset mix Jan. 1 was 50% stocks, 32% bonds and 18% cash; there was $22 million in dedicated/immunized portfolios.

There are 24 401(k) and 457 plan clients.

The bank follows 275 stocks closely and 350, generally; 80% of research is generated internally.

The parent company is Hartford National Corp.

Rudolph Abel Jr., senior vice president, is chief investment officer. Arnold P. Boecklin, vice president, is client contact.

### Connors Investor Services

*1100 Berkshire Blvd., Suite 300, Wyomissing, Pa. 19610; (215) 376-7418*

| | |
|---|---|
| Total assets managed | $87,000,000 |
| Tax-exempt assets managed | $52,000,000 |
| Tax-exempt clients | 47 |
| Types of accounts managed | CFJ |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Connors Investor Services Inc. is an equity and balanced manager.

Its equity approach is based on low p/e and emerging growth stocks. It uses two specialties in most portfolios: option hedging of listed stocks and investment in small companies.

Convertible bonds are used in both option writing and in place of common stocks in small-company stock portfolios. In balanced portfolios, high-quality, short-maturity bonds are selected.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

Thomas W. Weik, vice president, is chief investment officer. Ronald H. Seher, vice president, is client contact.

### Consistent Asset Management Co.

*1001 Jefferson St., Wilmington, Del. 19801; (302) 651-9400*

| | |
|---|---|
| Total assets managed | $60,000,000 |
| Tax-exempt assets managed | $60,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CE |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |

Consistent Asset Management Co., a fixed-income manager, uses technical analysis to market time U.S. Treasuries. Fixed-income futures are used.

All assets are in bonds.

Daryl L. Hudson, chairman, is chief investment officer. David W. Umbs, president, and Mark T. Davies, vice president, are client contacts.

### Constitution Capital Management

*1 State St., Hartford, Conn. 06103; (203) 280-3912*

| | |
|---|---|
| Total assets managed | $2,882,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,498,000,000 |
| Commingled | $1,190,000,000 |
| Separate | $1,308,000,000 |
| Tax-exempt clients: | |
| Separate | 182 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 5 |

*John G. Anderson*

Constitution Capital Management is an equity, fixed-income and balanced manager.

It offers two equity approaches. In the low p/e Valuepath approach, equities first are computer-ranked by fundamentals and then screened by professionals to avoid excessive risk. Buy/sell decisions are disciplined. The growth approach emphasizes growth stock and also is quantitative. Valuepath is run out of the Boston office; the growth approach, out of Hartford.

Its fixed-income approach emphasizes aggressive management of sector switches, yield curve positioning, security arbitrages and individual issue selection. Durations are close to the Shearson Lehman Government/Corporate bond index.

The asset mix Jan. 1 was 45% stocks, 35% bonds and 20% cash. It managed $15 million in dedicated or immunized portfolios.

The parent company is the Bank of New England Corp. Assets under management by the parent, subsidiaries and affiliates total $10 billion.

John G. Anderson, president, is chief investment officer. Ellsworth Davis is client contact in the Hartford office. Joyce Braude is the contact in the Boston office at 53 State St., Boston, Mass. 02109; (617) 722-4800.

Special leasing section: June 15.

### Continental Illinois National Bank & Trust Co.

*30 N. LaSalle St., Chicago, Ill. 60697; (312) 828-7007*

| | |
|---|---|
| Total assets managed | $1,946,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,946,000,000 |
| Commingled | $117,000,000 |
| Separate | $1,829,000,000 |
| 401(k) and 457 assets managed | $49,000,000 |
| Tax-exempt clients: | |
| Commingled | 27 |
| Separate | 60 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Continental Illinois National Bank & Trust Co. is an equity and balanced manager.

Its equity approach is value-oriented with a yield hurdle. Low p/e is emphasized.

Its fixed-income approach is passive. The firm manages the interest rate risk exposure by relating the portfolio's duration to the duration of the market.

The asset mix Jan. 1 was 35% stocks, 55% bonds and 10% cash.

There are 120 401(k) and 457 savings plans.

The parent company is Continental Illinois Corp. Total assets under management by the parent company, subsidiaries and affiliates are $10.785 billion.

Clients include Cook County, Moorman Manufacturing, Shelby Williams and Sisters of Notre Dame.

William L. Gunlicks, executive vice president, is chief investment officer. Raymond O. Wicklander Jr., vice president, is client contact.

### Continental Assurance Co.

*CNA Plaza, Chicago, Ill. 60685; (312) 822-5000*

| | |
|---|---|
| Total assets managed | $6,154,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,279,000,000 |
| GICs | $1,749,000,000 |
| Annuities | $502,000,000 |
| Other | $1,028,000,000 |
| Types of accounts managed | CEGJ |
| No. of portfolio managers | 4 |
| Size of research staff | 6 |

Continental Assurance Co. is an eq-


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uity and fixed-income manager.

Its equity approach is long-term growth emphasizing security of principal.

Its fixed-income approach is passive and uses interest rate anticipation and sector analysis, buying and holding bonds while immunizing a portion of the portfolio.

The separate accounts asset mix Jan. 1 was 5% stocks, 94.8% bonds and 0.2% cash.

The parent company is CNA Insurance.

Total assets under management by the parent company, subsidiaries and affiliates are $16.642 billion.

Clients include Gillette, Digital Equipment, Walgreen and Texaco.

Donald Rycroft, treasurer, is chief investment officer. Ralph Vuono, national sales director, is client contact at (212) 306-8637.

### Continental Investment Advisors Ltd.

*P.O. Box 35061, 10800 Midlothian Turnpike, Richmond, Va. 23235-0061; (804) 379-8280*

| | |
|---|---|
| Total assets managed | $620,000,000 |
| Tax-exempt assets managed | $500,000,000 |
| Mortgage-backed assets managed | $100,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |

Continental Investment Advisors Ltd. is a fixed-income manager.

Its value-oriented, active fixed-income approach uses four elements of fundamental value analysis. Managers avoid market timing by remaining fully invested and relying on active trading of corporate securities.

The asset mix Jan. 1 was 80% bonds and 20% mortgage-backed securities.

Clients include University of Michigan, Marine Corps Exchange Service, Wisconsin Power & Light and Miami.

Charles E. Keller, principal, is chief investment officer. L. David Hale, principal, is client contact.

### Contravisory Investment Management Corp.

*37 Derby St., Hingham, Mass. 02043; (617) 740-1786*

| | |
|---|---|
| Total assets managed | $18,000,000 |
| Tax-exempt assets managed | $6,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CF |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Contravisory Investment Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach is a highly quantitative and technical one that identifies changes in long-term price trends. It uses sector rotation.

Its fixed-income approach uses interest rate anticipation.

Options are used.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

G. Edward Noonan Jr. is chief investment officer. Peter H. Reinemann, marketing director, is client contact.

### David W. Cook & Co. Inc.

*P.O. Box 868, West Newbury, Mass. 01985; (617) 363-5381*

| | |
|---|---|
| Total assets managed | $44,000,000 |
| Tax-exempt assets managed | $7,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CE |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

David W. Cook & Co. Inc., a balanced manager, bases its investment approach on total rate of return.

The asset mix Jan. 1 was 55% stocks, 40% bonds and 5% money market funds.

David W. Cook, president, is chief investment officer and client contact.

### Cooke & Bieler Inc.

*1435 Walnut St., Philadelphia, Pa. 19102; (215) 567-1101*

| | |
|---|---|
| Total assets managed | $2,477,000,000 |
| Tax-exempt assets managed | $2,078,000,000 |
| Tax-exempt clients | 72 |
| Types of accounts managed | CF |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 5 |

Cooke & Bieler Inc. is an equity, fixed-income and balanced manager.

Its equity approach stresses low-risk growth. Portfolios are structured with higher-than-market yields and return on equity, lower-than-market betas and strong balance sheets.

Its fixed-income approach uses interest rate anticipation, with emphasis on credit analysis and a structured maturity schedule.

The asset mix Jan. 1 was 82% stocks, 9% bonds and 9% cash.

Seventy stocks are followed closely and 250, generally; 80% of research is generated internally.

The parent company is United Asset Management Corp. Assets under management by the parent, subsidiaries and affiliates total $17.824 billion.

Clients include Hercules, Columbia Gas, Southern Ohio Ironworkers and Snap-On Tools.

Russell Redenbaugh is chief investment officer. Robert T. Brooks, partner and director, is client contact.

### Copley Real Estate Advisors

*399 Boylston St., Boston, Mass. 02116; (617) 578-1200*

| | |
|---|---|
| Total assets managed | $6,800,000,000 |
| Tax-exempt assets managed | $4,700,000,000 |
| Real estate assets managed | $4,700,000,000 |
| Tax-exempt clients | 173 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 6 |

Copley Real Estate Advisors is a real estate manager.

Its real estate approach is developmental. The investments are structured as partnerships with local real estate developers in a selective number of markets. The firm also makes opportunistic investments, using a contrarian philosophy.

*Joseph W. O'Connor*
*Copley Real Estate Advisors*

The parent company is The New England. Total assets under management by the parent company, subsidiaries and affiliates are $37.273 billion.

Clients include AT&T, Washington Investment Board, Blue Cross/Blue Shield and Boilermaker & Blacksmiths National Pension Trust.

Joseph W. O'Connor is chief investment officer. John C. Phillips Jr. is client contact.

Cash management survey: Nov. 2.

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## Profiles

### Corbyn Associates Inc.

*Suite 330, The Quadrangle, Village of Cross Keys, Baltimore, Md. 21210; (301) 532-8600*

| | |
|---|---|
| Total assets managed | $131,000,000 |
| Tax-exempt assets managed | $88,000,000 |
| 401(k) assets managed | $500,000 |
| Tax-exempt clients | 114 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Corbyn Associates Inc. is a balanced manager.

Its equity approach is value-oriented with a foundation of modified contrary opinion. The low p/e emphasis is on the inefficient sector and special situations. Technical analysis plays a supplemental role.

In fixed income, it stresses interest rate anticipation and extensive use of convertibles where conversion premiums are not too high.

The asset mix Jan. 1 was 40% stocks, 40% bonds and 20% cash.

There was one 401(k) client.

Daniel R. Long III, president, is chief investment officer. Richard Hynson Jr., vice president, is client contact.

### CoreStates Investment Advisers

*Broad and Chestnut Streets, Philadelphia, Pa. 19101; (215) 629-2820*

| | |
|---|---|
| Total assets managed | $4,020,000,000 |
| Tax-exempt assets managed | |
| Total | $1,143,000,000 |
| Commingled | $418,000,000 |
| Separate | $725,000,000 |
| 401(k) and 457 assets managed | $150,000,000 |
| International assets managed | $25,000,000 |
| Tax-exempt clients: | |
| Commingled | 300 |
| Separate | 50 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 12 |

CoreStates Investment Advisers is an equity, fixed-income, balanced and international manager.

Its equity approach uses growth stocks, achieving long-term capital appreciation through active management of predominantly small- to medium-capitalization growth stocks.

Its fixed-income approach uses sector analysis, actively managing to dampen volatility and maximize return.

The asset mix Jan. 1 was 44% stocks, 46% bonds and 10% cash.

There are $25 million in foreign stocks. There are 50 401(k) and 457 clients.

The parent company is Philadelphia National Bank. Total assets under management of the parent company, subsidiaries and affiliates are $4.02 billion.

Paul G. Finegan, chairman, is chief investment officer. Donald R. Carey, vice president, is client contact.

### Corporate Property Investors

*305 E. 47th St., New York, N.Y. 10017; (212) 421-8200*

| | |
|---|---|
| Total assets managed | $3,100,000,000 |
| Tax-exempt assets managed | $1,900,000,000 |
| Real estate assets managed | $1,900,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFG |

Corporate Property Investors, a real estate manager, concentrates investment in 30 super regional shopping centers and two major office buildings.

All assets Jan. 1 were in equity real estate.

Clients include AT&T, General Motors, Ford Foundation and Yale.

Hans Mautner, president, is chief investment officer. Warren Hamer, director-client relations, is client contact.

### County Investment Management Ltd.

*28 Throgmorton St., London, England EC2N 2AN; 011-441-638-6000*

| | |
|---|---|
| Total assets managed | $12,081,000,000 |
| Tax-exempt assets managed | $71,000,000 |
| International assets managed | $31,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 44 |
| Size of research staff | 17 |

County Investment Management Ltd. is an equity, fixed-income, balanced and international manager.

Its equity approach is quantitative, top-down and risk-controlled. It emphasizes active market allocation through passive stock selection using the firm's index funds. Stock index futures are used.

Its fixed-income approach is top-down, emphasizing market allocation, interest rate anticipation, yield curve analysis, currency allocation and high-quality instruments.

All assets were in stocks Jan. 1. There was $31 million in foreign stocks and $40 million in equity index funds.

The parent company is Natwest Investment Bank.

Margaret Waller, vice president-marketing, is the client contact at 100 Wall St., New York, N.Y. 10005; (212) 440-8300.

### The Crabbe-Huson Co.

*1211 S.W. Fifth, Suite 2900, Portland, Ore. 97204; (503) 295-0111*

| | |
|---|---|
| Total assets managed | $245,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| Tax-exempt clients | 25 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

The Crabbe-Huson Co. is an equity, fixed-income and balanced manager.

Its equity approach is risk-averse and contrarian, focusing on large-cap stocks in concentrated portfolios.

Its fixed-income approach uses a contrarian approach to identify turning points in interest rates. Short to medium maturities are stressed. Arbitrage and sector swapping are used.

The asset mix Jan. 1 was 50% stocks, 25% bonds and 25% cash.

James E. Crabbe, president, is chief investment officer.

James C. Vogelzang is client contact at Vogelzang & Associates Inc., P.O. Box 890, Calistoga, Calif. 94515; (707) 942-4611.

### Cramblit & Carney Inc.

*523 W. Sixth St., Suite 723, Los Angeles, Calif. 90014; (213) 680-0562*

| | |
|---|---|
| Total assets managed | $521,000,000 |
| Tax-exempt assets managed | $391,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Cramblit & Carney Inc. is an equity, fixed-income and balanced manager.

Its equity approach seeks growth and low p/e stocks strategies.

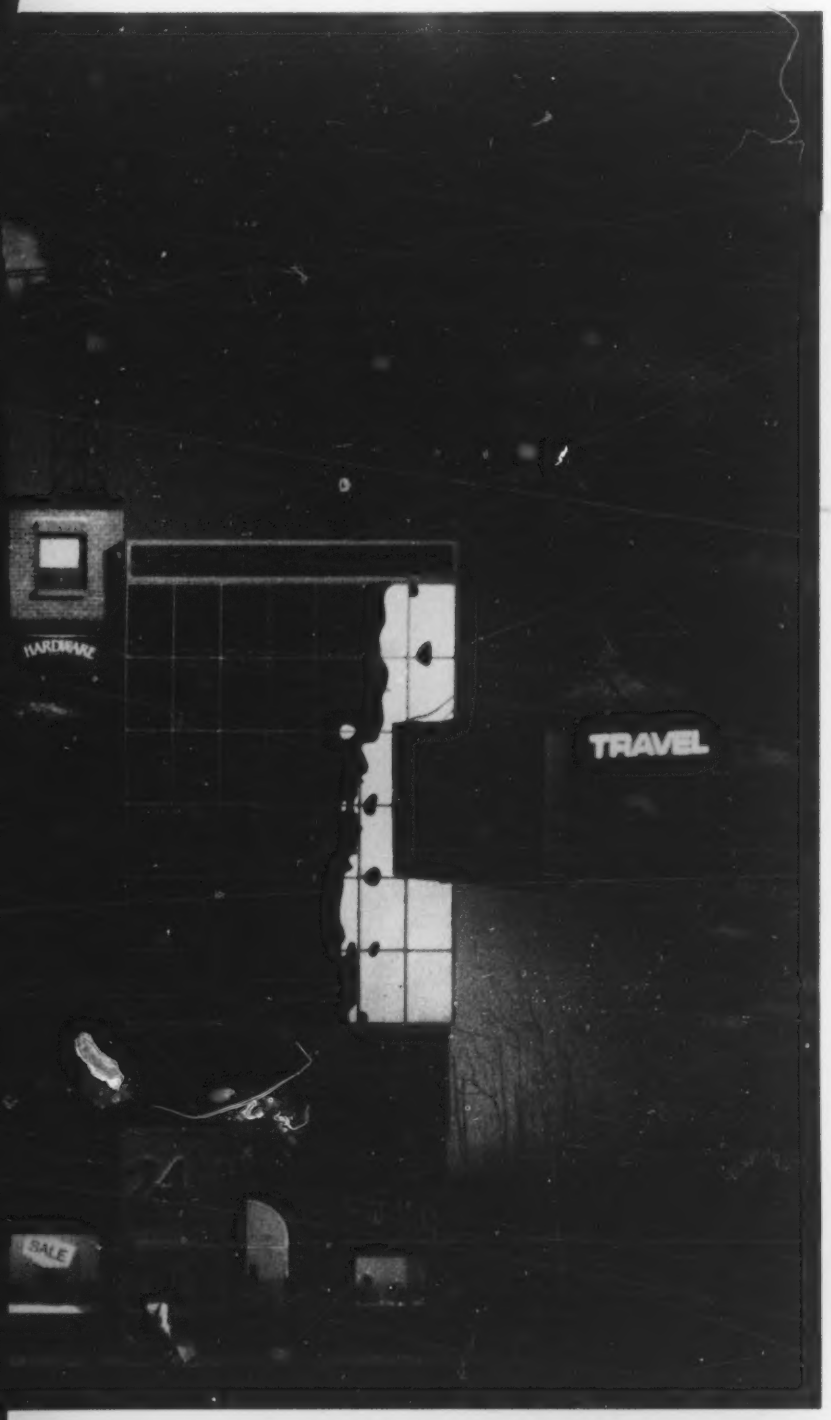
Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 62% stocks, 25% bonds and 13% cash.

One hundred stocks are followed closely and 300, generally.

Clients include Southern California Butcher and Provision Workers, Claremont University Center, Screen Actors Guild and 20th Century-Fox.

Richard P. Carney is chief investment officer. Barry T. Seymour is client contact.




High-speed digital networks are the best way for business to send and receive data. But small businesses had a problem. They typically didn't send enough data to make digital network services economical.

Until now. Because our subsidiary, Southwestern Bell Telephone, has introduced a way to make digital communications practical for companies of all sizes.

It's called MicroLink™ II network service. And with it, our customers can send small amounts of data on lines shared with other customers.

It's ultra-efficient, economical and error-free. Perfect for applications like ticket sales, credit-card verifications, reservations and automated tellers. Or almost anywhere data needs to move quickly and reliably.

MicroLink II is another example of how we're putting advanced network technology to work. And over the next three years we expect this service to generate more than $17 million in new revenues.

How do you turn small business into smart business? All it takes is a big idea.

*Making the most of what we know best.*

Southwestern Bell Corporation

ness out of smaller ones.

## Cramer Rosenthal McGlynn

*707 Westchester Ave., White Plains, N.Y. 10604; (914) 681-4470*

| | |
|---|---|
| Total assets managed | $266,000,000 |
| Tax-exempt assets managed | $84,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEF |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Cramer Rosenthal McGlynn Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis on emerging growth and low p/e stocks. Sector rotation and options also are used.

Its fixed-income approach uses interest rate anticipation with emphasis on short-term U.S. government obligations.

The asset mix Jan. 1 was 77% stocks, 18% bonds and 5% cash.

Clients include Columbia University and Eastern Air Lines pilots.

Gerald Cramer is chief investment officer. Ernest A. Remig, marketing representative, is client contact.

## Crawford Investment Counsel Inc.

*Suite 980, 100 Galleria Parkway N.W., Atlanta, Ga. 30339; (404) 859-0045*

| | |
|---|---|
| Total assets managed | $174,000,000 |
| Tax-exempt assets managed | $137,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Crawford Investment Counsel Inc. is an equity and balanced manager.

Its equity approach emphasizes stocks with above-average yield and consistent dividend increases. Large-cap stocks and companies with strong balance sheets are favored. Portfolios have below-average volatility.

The asset mix Jan. 1 was 80% stocks and 20% cash.

It follows 100 stocks closely and 2,000, generally; half the research is generated internally.

John H. Crawford, president, is chief investment officer. Sarah Jane Ross is client contact.

## Credit Suisse Asset Management

*280 Park Ave., 27th Floor, New York, N.Y. 10017; (212) 557-0510*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| International assets managed | $44,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 6 |

Credit Suisse Asset Management, formerly Swiss American Asset Management International, is an equity and international manager.

Its international equity approach emphasizes growth stock. Options are used.

The asset mix Jan. 1 was 97% stocks and 3% cash; $42 million was in foreign stocks and $2 million in foreign cash.

The parent company is Credit Suisse.

Gordon L. Bowyer, president, is chief investment officer. Richard R. Smith, vice president, is client contact.

## Criterion Group

*1000 Louisiana, Houston, Texas 77002; (713) 751-2400*

| | |
|---|---|
| Total assets managed | $12,704,000,000 |
| Tax-exempt assets managed | $6,198,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 17 |
| Size of research staff | 11 |

Criterion Group is an equity, fixed-income, balanced and international manager.

Its equity approach focuses on determining the relative attractiveness of stocks vs. cash equivalents along with identifying concepts and investment themes that will positively affect industry sectors and groups.

Its fixed-income approach uses a proprietary computer system to evaluate and monitor the risk/reward relationship of both individual bonds and bond portfolios.

Options, stock index futures and fixed-income futures are used.

The firm follows 150 stocks generally.

Clients include Nevada, Shell Oil, Singer and City of Milwaukee.

Charles Miller, president, is chief investment officer. John Pipkin, director of marketing, is client contact.

## Crown Life Insurance Co. — U.S. Pensions

*201 N. Union St., Alexandria, Va. 22314; (703) 684-4100*

| | |
|---|---|
| Total assets managed | $1,941,000,000 |
| Tax-exempt assets managed | |
| Total | $1,475,000,000 |
| Pooled accounts | $25,000,000 |
| GICs | $1,300,000,000 |
| Other | $150,000,000 |
| 401(k) and 457 assets managed | $165,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | C |

Crown Life Insurance Co. — U.S. Pensions is a GIC manager.

Beutel, Goodman Capital Management Ltd., in which it has a 40% interest, manages equities for Crown Life.

CrownX is the parent company. Assets managed by the parent, subsidiaries and affiliates total $5.8 billion.

A.G. Wirth, senior vice president-investments, is the chief investment officer.

John Mullis, assistant vice president and director of sales, is the client contact.

## C-S Capital Advisors Inc.

*8150 Corporate Park Drive, Suite 224, Cincinnati, Ohio; (513) 489-5556*

| | |
|---|---|
| Total assets managed | $224,000,000 |
| Tax-exempt assets managed | $224,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CEFG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 4 |

C-S Capital Advisors Inc., an equity manager, bases it approach on sector rotation and Graham & Dodd analysis of out-of-favor stocks.

An active options-writing program enforces its sell discipline.

The asset mix Jan. 1 was 78% stocks and 22% cash.

Two hundred stocks are followed closely and 250, generally.

Clients include Cincinnati, Kroger, National Rural Electric Cooperative and 3M.

Cliff Stahl is chief investment officer. Paul G. Chenault, chairman and chief executive officer, is client contact.

## C&S Investment Advisors

*P.O. Box 4114, Atlanta, Ga. 30342; (404) 897-3306*

| | |
|---|---|
| Total assets managed | $3,177,000,000 |
| Tax-exempt assets managed | $1,912,000,000 |
| Real estate assets managed | $27,000,000 |
| Mortgage-backed assets managed | $8,000,000 |
| Tax-exempt clients | 86 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 7 |

C&S Investment Advisors Inc. is an equity, fixed-income, balanced and quantitative services manager.

It offers passive and value-oriented equity approaches. The value discipline focuses on low price-earnings multiples and strong earnings momentum.

Its fixed-income approach uses sector and technical analysis, selecting securities to preserve capital while obtaining a high rate of current income. Client needs are met through five types of fixed-income programs.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 69.9% stocks, 18.5% bonds, 1.4% mortgages, 0.4% mortgage-backed securities and 3.1% international and real estate; there was $13 million in equity index funds and $15 million in dedicated or immunized bond portfolios.

The parent company is C&S Corp. Total assets under management by the parent company, subsidiaries and affiliates are $18.76 billion.

James L. Kermes, president, is chief investment officer. K. David Wheeler, vice president-marketing and sales, is client contact.

## CT Investment Counsel Inc.

*110 Yonge St., Toronto, Ontario M5C 1T4; (416) 869-6320*

| | |
|---|---|
| Total assets managed | $2,750,000,000 |
| Tax-exempt assets managed | $2,081,000,000 |
| Tax-exempt clients | 465 |
| Types of accounts managed | CEPU |
| Minimum separate account | $3,500,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 5 |

CT Investment Counsel Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach uses growth and low p/e stock, sector rotation and quantitative methods. Primary emphasis is on security selection, and then on industry selection and market timing.

Its primary fixed-income approach is interest rate anticipation, with sector/credit trading adding incremental value when possible.

The asset mix Jan. 1 was 38% Canadian stocks, 49% bonds, 1% cash, 6% U.S. stocks and 6% international stocks. It managed $365 million in dedicated or immunized bond portfolios.

Seventy-five Canadian stocks are followed closely and 200, generally; 40% of research is generated internally.

The parent company is the Canada Trust Co. Assets under management by the parent, subsidiaries and affiliates total $20.5 billion.

W. James Blowers, president, is chief investment officer and client contact.

## CTT Investment Management Group

*111 W. Washington St., Sixth Floor, Chicago, Ill. 60602; (312) 630-2765*

| | |
|---|---|
| Total assets managed | $2,300,000,000 |
| Tax-exempt assets managed | $1,300,000,000 |
| 401(k) assets managed | $150,000,000 |
| Tax-exempt clients | 178 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 5 |

CTT Investment Management Group is an equity, fixed-income, balanced and GIC manager.

Its equity approach is quantitative, emphasizing a bottom-up, long-term value stock selection. The firm concentrates on security analysis.

Its fixed-income approach emphasizes management toward a market reference point to enhance returns via security and sector swapping and credit analysis.

The asset mix Jan. 1 was 60% stocks and 40% bonds.

There are 100 401(k) clients.

One hundred twenty-five stocks are followed closely and 200, generally; 80% of the firm's research is generated internally.

Its parent company is Alleghaney Corp.

A. Vincent Agnew Jr. is chief investment officer. Andrew T. Merz, vice president-institutional marketing, is client contact.

## Cullen Center Bank & Trust

*P.O. Box 1315, Houston, Texas 77251; (713) 652-7600*

| | |
|---|---|
| Total assets managed | $175,000,000 |
| Tax-exempt assets managed | |
| Total | $82,000,000 |
| Commingled | $46,000,000 |
| Separate | $36,000,000 |
| 401(k) and 457 assets managed | $15,000,000 |
| Real estate assets managed | $4,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| Tax-exempt clients | |
| Commingled | 42 |
| Separate | 41 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Cullen Center Bank & Trust is an equity, fixed-income and balanced manager.

Its equity approach combines a composite of multiple relative valuation models with beta-adjusted price momentum and volume-adjusted historical price channels, all overlaid with economic and market cycle forecasts.

Its fixed-income approach uses relative value analysis of quality and industry sectors combined with economic and interest rate cycle forecasts.

### 25 largest managers of bond index funds

| Managers | $ millions |
|---|---|
| Wells Fargo Investment Advisors | 6,187 |
| Mellon Bond Associates | 4,051 |
| State State Bank and Trust | 2,550 |
| Bankers Trust-Investment Management Group | 2,200 |
| Putnam Cos. | 1,554 |
| Lehman Management | 1,500 |
| T. Rowe Price Associates | 1,325 |
| American National Bank & Trust, Chicago | 1,200 |
| Lincoln Capital Management | 664 |
| Fiduciary Trust | 630 |
| Prudential Asset Management Group | 616 |
| Dimensional Fund Advisors | 285 |
| MacKay-Shields Financial | 214 |
| First Wisconsin Trust | 170 |
| Harris Trust & Savings Bank | 150 |
| Mellon Capital Management | 150 |
| BA Investment Management | 108 |
| Boston Co. | 71 |
| Western Asset Management | 65 |
| Favia Hill & Associates | 62 |
| Northern Trust/Strategic Investment Services | 58 |
| Bank of New York | 50 |
| Chase Investors Management | 50 |
| RepublicBank Dallas | 50 |
| Manufacturers Hanover Investment | 47 |
| **Total** | **24,007** |

The asset mix Jan. 1 was 43% stocks, 28% bonds, 12% cash, 5% equity real estate and 12% mortgage-backed securities.

There are four 401(k) and 457 plan clients.

The parent company is Cullen Frost Bankers Inc. Total assets under management by the parent, subsidiaries and affiliates is $1.2 billion.

Robert B. McAshan III, senior vice president and trust investment officer, is chief investment officer. Michael L. Daugherty, executive vice president, is client contact.

## Cumberland Advisors Pty.

*614 Landis Ave., Vineland, N.J. 08360; (800) 257-7013 or (800) 232-6692 (N.J. only)*

| | |
|---|---|
| Total assets managed | $158,000,000 |
| Tax-exempt assets managed | $73,000,000 |
| 401(k) assets managed | $500,000 |
| International assets managed | $9,000,000 |
| Tax-exempt clients | 119 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Cumberland Advisors Pty. is an equity, fixed-income and balanced manager.

Cumberland uses Graham & Dodd analysis on low p/e stocks, together with sector rotation and market timing in its top-down equity approach. Its analysis has a monetarist bias.

Its top-down fixed-income approach integrates interest rate anticipation, sector analysis and duration.

Options are used.

The asset mix Jan. 1 was 45% stocks, 15% bonds and 40% cash. There was $5 million in foreign stocks and $4 million in foreign bonds.

Sheldon E. Goldberg and David R. Kotok are chief investment officers. Donald Sulam and Suzanne Greenberg are client contacts.

## John M. Cunningham Inc.

*150 Strafford Ave., Suite 208, Wayne, Pa. 19087; (215) 687-5060*

| | |
|---|---|
| Total assets managed | $16,000,000 |
| Tax-exempt assets managed | $9,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | C |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 1 |

John M. Cunningham Inc. is an equity and balanced manager.

Its growth stock equity approach is based on Graham & Dodd principles and is combined with sector rotation, concentrating on industry analysis and buying dividend and earnings growth leaders.

The fixed-income approach uses interest rate anticipation. It follows the market fundamentally and technically, and attempts to add a performance factor.

The asset mix Jan. 1 was 10% stocks and 90% cash.

Fifty stocks are followed closely, and 2,000, generally; all research is generated internally.

John M. Cunningham is chief investment officer and client contact.

## Martin Currie Ltd.

*29 Charlotte Square, Edinburgh, Scotland EH2 4HA; 011-44-31-225-3811*

| | |
|---|---|
| Total assets managed | $2,610,000,000 |
| Tax-exempt assets managed | $245,000,000 |
| International assets managed | $209,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $10,060,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 6 |

Martin Currie Ltd. and subsidiaries is an equity and international manager.

Its equity approach emphasizes emerging growth and growth stock, focusing on long-term growth opportunities and using sector rotation. The approach varies according to the particular market in which assets are invested.

U.K. fixed-income securities are used only to fulfill requirements of endowment clients. Buys/sells are dictated by interest rate expectations.

The asset mix Jan. 1 was 92% stocks and 8% cash. There was $198 million in foreign stocks and $11 million in foreign cash.

D.L. Skinner, managing director of Martin Currie Ltd., is chief investment officer. W.M.C. Kennedy, president of Martin Currie Inc., is client contact.

## Cushman & Wakefield Realty Advisors Inc.

*1166 Avenue of the Americas, New York, N.Y. 10036; (212) 841-7750*

| | |
|---|---|
| Total assets managed | $1,300,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $50,000,000 |

Cushman & Wakefield Realty Advisors Inc. is a real estate manager that capitalizes on its expertise in leasing, property management and appraisal, as well as its geographic scope and coverage in primary and secondary markets.

Its parent is Cushman & Wakefield Inc.

Michael C.J. Fallon, senior vice president, is chief investment officer. Richard B. Geraghty, vice president, is client contact.

International manager profiles will run June 29.

## Cutler & Co. Inc.

*132 W. Main St., Suite 204, Medford, Ore. 97501 (503) 779-5055*

| | |
|---|---|
| Total assets managed | $458,000,000 |
| Tax-exempt assets managed | $425,000,000 |
| 401(k) assets managed | $7,000,000 |
| Tax-exempt clients | 250 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Cutler & Co. Inc. is an equity and index manager.

Its high-yield equity approach treats stock portfolios as bond portfolios, maintaining quality and switching to increase yield. Portfolios are characterized by low p/e, low beta and low market-to-book ratios.

The asset mix Jan. 1 was 99% stocks and 1% cash.

It managed $2 million in equity index funds. There are five 401(k) clients.

Fifteen stocks are followed closely and 90, generally; all research is generated internally.

Clients include Oregon, Kern County, Pennsylvania and Whittaker.

Kenneth R. Cutler is chief investment officer. Mark S. Patten is client contact.

# d

## Dain Corp.

*1820 Dain Tower, Minneapolis, Minn. 55402; (612) 371-7810*

| | |
|---|---|
| Total assets managed | $181,000,000 |
| Tax-exempt assets managed | $27,000,000 |
| Real estate assets managed | $27,000,000 |
| Tax-exempt clients | 76 |
| Types of accounts managed | CG |
| Minimum separate account | $1,500,000 |

Dain Corp. is a real estate manager.

Its investment approach emphasizes conservative purchases of pre-existing general-market properties: office, retail, industrial and apartment. Risk is moderated through pre-purchase analysis, purchase structuring, professional management and timed asset sale.

The asset mix Jan. 1 was 100% equity real estate.

The parent company is Inter-Regional Financial Group Inc.

Richard L. Howell, president, is chief investment officer and client contact.

## Daiwa International Capital Management

*1 World Financial Center, 200 Liberty St., 26th Floor, New York, N.Y. 10281; (212) 945-0099*

| | |
|---|---|
| Total assets managed | $12,500,000,000 |
| Tax-exempt assets managed | $550,000,000 |
| International assets managed | $30,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 45 |
| Size of research staff | 7 |

Daiwa International Capital Management is an equity manager.

A research-oriented, active equity manager, Daiwa's stock selection concentrates on assessing the long-term growth potential and the relative value of companies within growth industries worldwide.

The asset mix Jan. 1 was 95% stocks and 5% cash. There was $30 million in foreign stocks.

Daiwa follows 350 stocks closely and 2,600 generally; 70% of research is generated internally.

Clients include GM, Oregon, Pacific Lighting, Frank Russell Trust and Hawaii.

Keisuke Oshima, senior managing director, is chief investment officer. Michael J. Bonner and Shunsuke Ichiso, senior vice presidents, are client contacts.

## DAK Capital

*654 Madison Ave., New York, N.Y. 10021; (212) 826-7144*

| | |
|---|---|
| Total assets managed | $750,000,000 |
| Tax-exempt assets managed | $750,000,000 |
| Types of accounts managed | C |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

DAK Capital is an equity manager, emphasizing Graham & Dodd principles and market timing. Options, stock index futures and fixed-income futures are used.

All assets were in stocks Jan. 1.

Forty-five stocks are followed closely; 90% of research is generated internally.

Douglas Allen Kass is chief investment officer and client contact.

## D.A. Management Inc.

*7777 Center Ave., Suite 500, Huntington Beach, Calif. 92647; (714) 891-6080*

| | |
|---|---|
| Total assets managed | $89,000,000 |
| Tax-exempt assets managed | $59,000,000 |
| Real estate assets managed | $59,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | G |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

D.A. Management Inc., a real estate manager, acquires equity and participating loan interests that have the potential of generating operating cash flow and profits through financial structure, property management and personal involvement.

The asset mix Jan. 1 was 55% equity real estate, 30% mortgages and 15% participating loans.

Clients are Orange County Employees and San Bernardino County Employees.

Daniel M. Ardell, president, is chief investment officer and client contact.

## Dana Investment Advisors

*330 S. Executive Drive, Suite 301, P.O. Box 1067, Brookfield, Wis. 53005; (414) 782-3631*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| 401(k) assets managed | $30,000,000 |
| Mortgage-backed assets managed | $105,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 2 |

Dana Investment Advisors Inc. is an equity, fixed-income and balanced manager.

Its risk-averse management approach emphasizes growth and income stocks. It is value-oriented on a total rate of return basis.

Dana is an active fixed-income manager, looking to extract current value and keep interest rate (movement) risk to a minimum.

The asset mix Jan. 1 was 10% stocks, 8% bonds, 12% cash and 70% mortgage-backed securities.

It managed $12 million in dedicated or immunized bond portfolios and had eight 401(k) clients.

Michael Dana, president, is chief investment officer. Donald Moore, vice president-marketing, is client contact.

## John Stewart Darrell & Co.

*503 Faulconer Drive, Charlottesville, Va. 22901; (804) 977-7010*

| | |
|---|---|
| Total assets managed | $53,000,000 |
| Tax-exempt assets managed | $11,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

John Stewart Darrell & Co. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks and Graham & Dodd analysis; its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 50% stocks, 10% bonds and 40% cash.

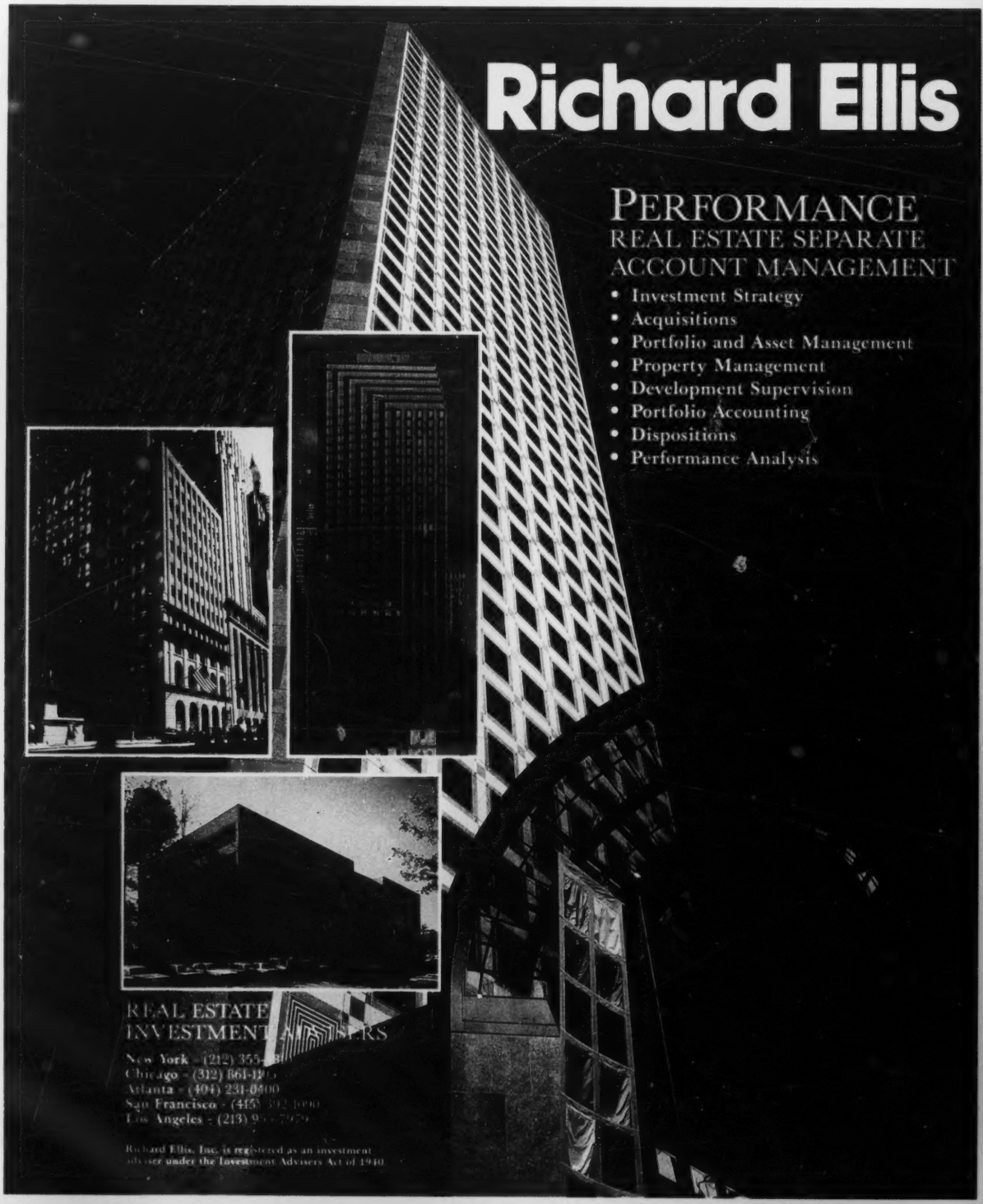
The firm follows 50 stocks closely and 200, generally; 70% of research is generated internally.

John Stewart Darrell and Charles King are chief investment officers. Cindy Kent and Jack Darrell are client contacts.

## Dauphin Deposit Bank & Trust Co.

*P.O. Box 2961, Harrisburg, Pa. 17105; (717) 255-2397*

| | |
|---|---|
| Total assets managed | $415,000,000 |
| Tax-exempt assets managed: | |
| Total | $354,000,000 |
| Commingled | $217,000,000 |
| Separate | $137,000,000 |
| 401(k) and 457 assets managed | $3,000,000 |
| Real estate assets managed | $354,000 |
| Tax-exempt clients: | |
| Commingled | 351 |



| | |
|---|---|
| Separate | 30 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

Dauphin Deposit Bank & Trust Co. is an equity, fixed-income and balanced manager.

Its active, controlled-risk equity approach uses growth and low p/e stock and sector rotation techniques. Technical analysis is the basis of investment decisions, with shifts in cash reserves and sectors based on macroeconomic and valuation analysis.

In fixed-income, it offers passive management and active management based on interest rate anticipation and sector analysis. Short- and intermediate-term bonds are managed actively with consideration of swaps of overvalued issues. Maturities are 10 years or less.

The asset mix Jan. 1 was 32.7% stocks, 49.3% bonds, 17.9% cash and 0.1% mortgages.

There are three 401(k) and 457 clients.

The parent company is Dauphin Deposit Corp. Assets under management by the parent, subsidiaries and affiliates total $651 million.

Robert Spicer, vice president, is chief investment officer. Gary Tarbert, assistant vice president and trust officer, is client contact.

## Davenport Asset Management

*P.O. Box 1377, Richmond, Va. 23211; (804) 780-2117*

| | |
|---|---|
| Total assets managed | $138,000,000 |
| Tax-exempt assets managed | $42,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CEF |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 4 |

Davenport Asset Management is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented, following Graham & Dodd principles. The beta of equities reflects the firm's bias toward low p/e ratios and higher current yields.

Its fixed-income approach is passive. Managers use Treasury issues with a maturity spread designed to diversify the firm's rate exposure risk.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent company is Davenport & Co. of Virginia Inc. Total assets under management by the parent company, subsidiaries and affiliates are $148 million.

Joseph L. Antrim, executive vice president, is chief investment officer. Nancy P. Jenkins, assistant vice president, is client contact.

## Davidson & Garrard Inc.

*P.O. Box 939, Lynchburg, Va. 24505; (804) 847-6600*

| | |
|---|---|
| Total assets managed | $30,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 2 |

Davidson & Garrard Inc. is an equity, fixed-income and balanced manager.

In equities, it tries try to have 20% of most portfolios in emerging growth stocks. Cash holdings will go as high as 25% if the market is particularly overvalued.

Its fixed-income approach uses interest rate anticipation on top-quality securities. Maturities are 12 years if bullish and three to six if bearish.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Edgar D. Garrard, president, is chief investment officer. William S. Davidson, secretary, is client contact.

## Davis, Weaver & Mendel Inc.

*3312 Piedmont Road N.E., Atlanta, Ga. 30305; (404) 233-1263*

| | |
|---|---|
| Total assets managed | $66,000,000 |
| Tax-exempt assets managed | $49,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 55 |
| Types of accounts managed | CFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 20 |

Davis, Weaver & Mendel Inc. is an equity, fixed-income, balanced and international manager.

Its equity approach emphasizes market timing and sector rotation. The investment process is disciplined, based on computer-generated models. No subjective forecasting is used.

Its fixed-income approach, based on interest rate anticipation, stresses active management. Maturity management is employed to enhance profitability.

The asset mix Jan. 1 was 85% stocks and 15% cash.

There are two 401(k) clients.

Tom Weaver, president, is chief investment officer. Marsh Douthat, executive vice president, is client contact.

## Dawes Investment Service

*900 E. Indiantown Road, Suite 305, Jupiter, Fla. 33477; (305) 747-0896*

| | |
|---|---|
| Total assets managed | $50,000,000 |
| Tax-exempt assets managed | $36,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Dawes Investment Service Inc. is an equity manager.

Its disciplined, value-oriented approach uses low p/e stocks and sector rotation. A proprietary mathematical model identifies buy points and sell objectives.

The asset mix Jan. 1 was 70% stocks and 30% cash.

Two hundred stocks are followed closely and 6,000, generally; all research is generated internally.

Richard C. Sunshine is chief investment officer. Kristy J. Dodge, director of marketing, is client contact.

## Dean Investment Associates

*2480 Kettering Tower, Dayton, Ohio 45423; (513) 222-9531*

| | |
|---|---|
| Total assets managed | $536,000,000 |
| Tax-exempt assets managed | $439,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 332 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 3 |

Dean Investment Associates is an equity and balanced manager. It also offers full-service plan administration.

Its equity approach uses growth and low p/e stocks based on Graham & Dodd analysis, sector rotation and market timing techniques. The firm combines a top-down approach with fundamental and technical methodologies in selecting securities and establishing optimal asset allocation targets.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

There are three 401(k) clients.

One hundred twenty-five stocks are followed closely and 500, generally; all research is generated internally.

Clients include Guy F. Atkinson Co. and the University of San Francisco.

Chauncey H. Dean, president, is chief investment officer. Richard M. Luthman, marketing director/portfolio manager, is client contact.

## Dearden, Maguire and Weaver Inc.

*2 Penn Center Plaza, Suite 1702, Philadelphia, Pa. 19102; (215) 972-0888*

| | |
|---|---|
| Total assets managed | $480,000,000 |
| Tax-exempt assets managed | $275,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

Dearden, Maguire and Weaver Inc. is an equity, fixed-income and balanced manager.

Its equity approach invests in growth stock based on Graham & Dodd principles. The firm is quality oriented based upon economic outlook, relative valuation analysis and fundamental and technical data. Options are used.

Its fixed-income approach uses interest rate anticipation. Portfolios are limited to securities with A or better ratings and maturities of 10 years or less.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

One hundred fifty stocks are followed closely and 250, generally; 20% of research is generated internally.

James M. Weaver, treasurer, and Alexander A. Maguire, secretary, are chief investment officers. Edward C. Dearden, president, is client contact.

## DeJarnette Investment Advisors

*104 Black Rock Drive, Wintergreen, Va. 22958-0418; (804) 325-1180*

| | |
|---|---|
| Total assets managed | $14,000,000 |
| Tax-exempt assets managed | $6,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

DeJarnette Investment Advisors is an equity and balanced manager.

Its equity approach uses emerging growth stocks. The firm emphasizes regional securities in the Southeast.

Its fixed-income approach uses interest rate anticipation.

Options and stock index futures are used.

It follows 30 stocks closely and 75 generally; half of the research is generated internally.

J.H. DeJarnette, president, is chief investment officer and client contact.

## Delafield Asset Management

*63 Wall St., New York, N.Y. 10005; (212) 269-0660*

| | |
|---|---|
| Total assets managed | $529,000,000 |
| Tax-exempt assets managed | $406,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 4 |

Delafield Asset Management Inc. is an equity and balanced manager.

Its equity approach is based on Graham & Dodd analysis.

The asset mix Jan. 1 was 83% stocks and 17% cash.

Fifty stocks are followed closely and 100, generally; 90% of research is generated internally.

Clients include Aerospace Corp., FMC, Eastern Air Lines and American Red Cross.

J. Dennis Delafield is chief investment officer. Alice B. Hicks is client contact.

## Delafield, Harvey, Tabell Inc.

*600 Alexander Road, Princeton, N.J. 08540; (609) 987-2300*

| | |
|---|---|
| Total assets managed | $425,000,000 |
| Tax-exempt assets managed | $110,000,000 |
| Tax-exempt clients | 46 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 6 |

Delafield, Harvey, Tabell Inc., an equity manager, blends technical and fundamental analysis to isolate market segments most attractive for investment, with a bias toward low p e, moderate yield stocks.

Its fixed-income approach uses mainly short-term government or corporate bonds with unusual discount or sinking fund provisions.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

Maturin L. Delafield and Ashton Harvey, managing directors, are chief investment officers. Joseph A. Gallagher, vice president, is client contact.

## Delaware Investment Advisers

*10 Penn Center Plaza, Philadelphia, Pa. 19103; (215) 568-5880*

| | |
|---|---|
| Total assets managed | $11,400,000,000 |
| Tax-exempt assets managed | $11,103,000,000 |
| Tax-exempt clients | 173 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 16 |

Delaware Investment Advisers is an equity and fixed-income manager.

Its equity approach combines sector rotation with low p/e and value/equity income strategies. Its philosophy stresses risk management within a total rate of return orientation.

Its fixed-income approach uses equity-type credit analysis, a sensitivity to business cycles and sophisticated trading strategies to protect the income premium on high-yielding corporate bonds.

The asset mix Jan. 1 was 87% stocks, 8% bonds and 5% cash.

The firm follows 150 stocks closely and 350, generally.

The parent company is Delaware Management Co.

Assets under management by the parent, subsidiaries and affiliates total $15.2 billion.

Clients include American Information Technologies, Father Flanagan's Boys' Home, General Motors and Dartmouth.

John H. Durham, chief executive officer, is chief investment officer. Winthrop S. Jessup, senior vice president, is client contact.

## Delta Financial Inc.

*3500 Pacific Ave., Virginia Beach, Va. 23451; (804) 491-1200*

| | |
|---|---|
| Total assets managed | $119,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 1 |

Delta Financial Inc. is an equity, fixed-income and balanced manager.

Its equity approach is quantitative. The firm uses an explicit quantitative discipline to seek value, resulting in portfolios that reflect current economic themes and their investment implications.

Its fixed-income approach is core-tactical, emphasizing duration shifts and sector analysis.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

Stock index futures are used.

Mark T. Finn, president, is chief investment officer. Katie Lincoln-Lively, marketing representative, is client contact.

## Delta Financial Management

*37 Derby St., Hingham, Mass. 02043; (617) 749-8156*

| | |
|---|---|
| Total assets managed | $45,000,000 |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Donald B. Talcott
John P. Toolan
Stephen J. Treadway

Laguna Niguel, CA

New York, NY

| | |
|---|---|
| Tax-exempt assets managed | $28,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Delta Financial Management Corp. is an equity, fixed-income and balanced manager.

It takes a low-risk, quantitative equity approach investing in low p/e, high-yield stocks. Investments are concentrated in large-capitalization stocks with attractive fundamentals and improving relative price performance.

In fixed income, it is an intermediate-duration manager, investing in government and high-grade corporate bonds with maturities of 10 years or less. Selection is based on identifying the most attractive risk/reward segment of the yield curve.

The asset mix Jan. 1 was 64% stocks, 26% bonds and 10% cash.

William M. Weldon, managing director, is client contact.

### D.F. Dent & Co. Inc.

*2 E. Read St., Baltimore, Md. 21202; (301) 837-2545*

| | |
|---|---|
| Total assets managed | $248,000,000 |
| Tax-exempt assets managed | $86,000,000 |
| International assets managed | $11,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

D.F. Dent & Co. Inc. is an equity and balanced manager.

Its equity approach uses emerging growth and growth stocks.

The asset mix Jan. 1 was 58% stocks, 26% bonds and 16% cash.

As of Jan. 1, it managed $11 million in foreign bonds.

Sixty stocks are followed closely and 120, generally; 85% of research is generated internally.

T.F. O'Neil is chief investment officer. S.C. Ellwood is client contact.

### Denver Investment Advisors

*633 17th St., Suite 1800, Denver, Colo. 80270; (303) 293-5588*

| | |
|---|---|
| Total assets managed | $2,530,000,000 |
| Tax-exempt assets managed | $2,530,000,000 |
| Tax-exempt clients | 70 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 7 |

Denver Investment Advisors Inc. is an equity, fixed-income and balanced manager.

Its equity style uses Graham & Dodd quantitative analytical techniques on growth and low p/e stocks. It takes a fundamental approach, focusing on small to midsize companies, but also large-cap stocks that are mispriced.

The fixed-income approach is based primarily on valuation with secondary emphasis on interest rate anticipation.

The asset mix Jan. 1 was 55% stocks, 35% bonds and 10% cash.

One hundred thirty stocks are followed closely and 300, generally; 70% of research is generated internally.

The parent company is First Interstate Bancorp. Assets under management by the parent, subsidiaries and affiliates total $17.753 billion.

Clients include AT&T, U S WEST, Rohm & Haas and Florida.

Kenneth Penland is chief investment officer. Dennis E. Larkin, vice president, is client contact.

### Derby and Co. Inc.

*57 Wells Ave., Newton, Mass. 02159; (617) 332-2449*

| | |
|---|---|
| Total assets managed | $13,000,000 |
| Tax-exempt assets managed | $13,000,000 |
| Real estate assets managed | $650,000 |
| Mortgage-backed assets managed | $1,300,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

Derby and Co. Inc. is a fixed-income and GIC manager whose investment approach is based on interest rate anticipation.

The asset mix Jan. 1 was 50% bonds, 35% cash, 5% mortgages and 10% mortgage-backed securities.

There was $650,000 in mortgages and $4 million in dedicated or immunized bond portfolios.

Burt Derby is chief investment officer and client contact.

### Derivative Markets Management Inc.

*30 S. Wacker, Suite 2816, Chicago, Ill. 60606; (312) 461-6200*

| | |
|---|---|
| Total assets managed | $127,000,000 |
| Tax-exempt assets managed | $127,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Derivative Markets Management Inc., an equity manager, actively invests in index funds, arbitraging financial futures and hedging index options to earn incremental returns within structured portfolio risk guidelines.

The asset mix Jan. 1 was 100% stocks; $84 million was in equity index funds.

The parent company is Harris Bankcorp Inc. Assets under management by the parent, subsidiaries and affiliates total $14.2 billion.

Edward B. Dillmann, president, is chief investment officer. Mr. Dillmann and Walter E. Nightingale, executive vice president, are client contacts.

### Dewey Square Investors

*P.O. Box 1727, Boston, Mass. 02105; (617) 434-6217*

| | |
|---|---|
| Total assets managed | $3,400,000,000 |
| Tax-exempt assets managed | $3,400,000,000 |
| Mortgage-backed assets | $100,000,000 |
| Tax-exempt clients | 95 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 11 |

Dewey Square Investors is an equity, fixed-income and balanced manager.

Its equity approach is quantitative and low p/e. It constructs highly diversified portfolios built of stocks with high relative valuation rank and poor past price behavior.

Its fixed-income approach uses interest rate anticipation and sector analysis to allocate maturity distribution.

The asset mix Jan. 1 was 47% stocks, 35% bonds, 15% cash and 3% mortgage-backed securities.

There was $500 million in dedicated/immunized bond portfolios.

The firm follows 100 stocks closely and 650, generally; 40% of research is internally generated.

Parent company is Bank of Boston.

Clients include Ford Motor, American Airlines, Gillette and Stop & Shop.

William B. Moody, president, is chief investment officer. Karen L. Maguire, director of marketing, is client contact.

### Dietche & Field Advisers Inc.

*437 Madison Ave., New York, N.Y. 10022; (212) 752-2047*

| | |
|---|---|
| Total assets managed | $127,000,000 |
| Tax-exempt assets managed | $127,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Dietche & Field Advisers Inc., an equity manager, uses Graham & Dodd analysis in its bottom-up approach. Managers seek undervalued companies and often invest in those undergoing significant change.

The asset mix Jan. 1 was 77% stocks and 23% cash.

Fifty stocks are followed closely and 100, generally; 25% of research is generated internally.

Clients include Boise Cascade and Baltimore Employees Fire and Police.

Paul C. Dietche, president, is chief investment officer. Lincoln P. Field, vice president, is client contact.

### Dillon, Read Capital Inc.

*535 Madison Ave., New York, N.Y. 10022; (212) 906-7659*

| | |
|---|---|
| Total assets managed | $1,589,000,000 |
| Tax-exempt assets managed | $1,325,000,000 |
| International assets managed | $98,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 4 |

Dillon, Read Capital Inc. is an equity and balanced manager.


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Its investment style emphasizes market timing and value, using a price-sensitive, bottom-up equity approach to find out-of-favor and undervalued stocks.

Its fixed-income approach is based on interest rate anticipation. Maturities are adjusted depending upon valuation and trends of liquidity.

The asset mix Jan. 1 was 77% stocks, 9% bonds and 14% cash.

There was $98 million in foreign stocks.

One hundred fifty stocks are followed closely and 300, generally; 75% of research is generated internally.

The parent company is Dillon, Read & Co. Inc., a subsidiary of The Travelers Corp.

Clients include Frank Russell Trust, Hughes Aircraft and Alcoa Foundation.

Timothy G. Dalton Jr. is chief investment officer. David A. Dewey, executive vice president, is client contact.

## Dimensional Fund Advisors

*1299 Ocean Ave., Suite 650, Santa Monica, Calif. 90401; (213) 395-8005*

| | |
|---|---|
| Total assets managed | $3,406,000,000 |
| Tax-exempt assets managed | $3,316,000,000 |
| International assets managed | $77,000,000 |
| Tax-exempt clients | 104 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 3 |

Dimensional Fund Advisors Inc. is an equity, fixed-income and international manager.

Its equity approach is passive. It invests in small companies to provide diversification and potential for long-term return premiums.

Its fixed-income approach uses a variable maturity strategy that maximizes expected returns by shifting maturities in response to changes in the current prices.

The asset mix Jan. 1 was 88% stocks, 9% fixed income and 3% cash; $77 million was in foreign stocks, $2.954 billion in equity index funds and $285 million in fixed-income index funds.

It follows 3,000 stocks closely and 3,000, generally; 90% of the research is generated internally.

Assets under management by the company and its London-based affiliate total $3.411 billion.

Clients include GM, IBM, Maryland and California Public Employees.

Rex A. Sinquefield is chairman and chief investment officer. David G. Booth, chairman and chief executive officer, is client contact.

## Disciplined Investment Advisors Inc.

*1800 Sherman Ave., Evanston, Ill. 60201 (312) 328-6707*

| | |
|---|---|
| Total assets managed | $320,000,000 |
| Tax-exempt assets managed | $300,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Disciplined Investment Advisors Inc., an equity manager, uses a value contrarian style based on quantitative, fundamental analysis of S&P 500 stocks.

The asset mix Jan. 1 was 98% stocks and 2% cash.

Five hundred stocks are followed closely and 2,500, generally; all research is generated internally.

Clients include State of Illinois, Xerox and University of Texas.

Eugene M. Lerner is chief investment officer. Daniel J. Schweihs is client contact.

## Disciplined Portfolio Management Inc.

*23 Center St., Chatham, N.J. 07928; (201) 635-0510*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |

Disciplined Portfolio Management Inc., an equity manager, takes a fundamental, systematic and disciplined approach, using a combination of Graham & Dodd and quantitative principles. Appropriate fundamental, qualitative, quantitative and technical ranks identify attractive investments. The process is reinforced by a rigorous sell discipline.

It follows 1,200 stocks closely and 1,200, generally.

Darley T. Randall, managing director, is chief investment officer and client contact.

*Patricia W. de Blank*
*Discount Corp. of N.Y.*

## Discount Corp. of New York Advisers

*58 Pine St., Fifth Floor, New York, N.Y. 10005; (212) 248-8989*

| | |
|---|---|
| Total assets managed | $3,000,000,000 |
| Tax-exempt assets managed | $3,000,000,000 |
| 401(k) assets managed | $230,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CEF |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 6 |

Discount Corp. of New York Advisers is a fixed-income and international manager.

Its approach emphasizes preservation of capital and liquidity using an active strategy that allows for incremental shifts in maturities based on interest rate anticipation. Options and fixed-income futures are used.

The asset mix Jan. 1 was 25% bonds and 75% cash.

There was $2 million in foreign cash and two 401(k) clients Jan. 1.

Clients include General Dynamics, Eastman Kodak, The Common Fund and Pacific Telesis.

Patricia W. de Blank is chief investment officer. Barbara D. Fiorito, vice president, is client contact.

## Dixon & Hubard Inc.

*P.O. Box 2768, Roanoke, Va. 24001; (703) 343-9903*

| | |
|---|---|
| Total assets managed | $60,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| 401(k) assets managed | $1,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Dixon & Hubard Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stocks, and its fixed-income approach is passive.

The asset mix Jan. 1 was 65% stocks, 34% bonds and 1% cash; there was $1 million in foreign stocks.

The firm has two 401(k) clients.

It follows 200 stocks closely and 2,000 generally; 5% of research is generated internally.

Walter M. Dixon Jr., president, is chief investment officer. W. Stebbins Hubard Jr., vice president, is client contact.

## Dixon Krogseth Ltd.

*1066 W. Hastings St., Vancouver, British Columbia V7S 2R4; (604) 922-4094*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | |
| Total | $275,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CU |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Dixon Krogseth Ltd., a Canadian firm, is an equity and balanced manager.

Its equity approach uses growth stock and sector rotation strategies, with about half of the stocks selected for sector weighting and half selected for individual growth characteristics.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 35% Canadian stocks, 10% U.S. stocks, 48% bonds and 7% cash.

Fifty stocks are followed closely and 100, generally; 10% of research is generated internally.

T. Alan Dixon is chief investment officer and client contact.

## D.J. Investment Advisors

*Fox Pavilion, Jenkintown, Pa. 19046; (215) 887-6946*

| | |
|---|---|
| Total assets managed | $85,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

D.J. Investment Advisors Inc. is an equity, balanced, hedging and arbitrage manager.

Its equity approach emphasizes growth, emerging growth, low p/e stocks and market timing.

Its fixed-income approach is based on interest rate anticipation.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 55% stocks, 30% bonds and 15% cash.

David A. Schwerin is chief investment officer and client contact.

*Joseph M. Fee*
*Dodge & Cox*

## Dodge & Cox

*1 Post St., 35th Floor, San Francisco, Calif. 94104; (415) 981-1710*

| | |
|---|---|
| Total assets managed | $4,535,000,000 |
| Tax-exempt assets managed | $3,690,000,000 |
| Tax-exempt clients | 86 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 8 |

Dodge & Cox is an equity, fixed-income and balanced manager.

It takes a fundamental value, diversified approach to equities, investing in established companies managers believe have positive earnings prospects not reflected in current prices.

Its fixed-income approach focuses on identifying undervalued market sectors and securities to construct high-quality, diversified portfolios. Maturities are gradually adjusted within a range of nine to 15 years. Interest rate anticipation is used.

The asset mix Jan. 1 was 62% stocks, 36% bonds and 2% cash.

Two hundred stocks are followed closely and 500, generally; 75% of research is generated internally.

Joseph M. Fee, president and chief executive officer, is chief investment officer. Kenneth F. Olivier, vice president, is client contact.

## Dollins Symons Management Inc.

*1409 Terrace Drive, Pittsburgh, Pa. 15228; (412) 561-1945*

| | |
|---|---|
| Total assets managed | $2,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

Dollins Symons Management Inc. is an equity and balanced manager.

Its equity approach is quantitative, emphasizing low p/e stocks. Scientific analysis and interpretation of financial data is key, emphasizing analysis of historical financial data as a function of change in stock price.

Its fixed-income approach is passive, investing in high-quality obligations with maturities of three years or less.

The asset mix Jan. 1 was 97% stocks and 3% cash.

Charles C. Dollins, president, is chief investment officer. Edward L. Symons Jr., vice president, is client contact.

## Dominion Trust Co.

*P.O. Box 13327, Roanoke, Va. 24040; (703) 563-7773*

| | |
|---|---|
| Total assets managed | $800,000,000 |
| Tax-exempt assets managed: | |
| Total | $315,000,000 |
| Commingled | $79,000,000 |
| Separate | $236,000,000 |
| 401(k) and 457 assets managed | $40,000,000 |
| International assets managed | $60,000,000 |
| Tax-exempt clients: | |
| Commingled | 270 |
| Separate | 80 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 1 |

Dominion Trust Co. is an equity, fixed-income and balanced manager.

Its value-oriented equity approach emphasizes Graham & Dodd analysis and low p/e stocks.

Its fixed-income investment process uses interest rate anticipation and sector analysis in a value-oriented approach. Managers look for yield disparities among bond groups.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash. There was $20 million in foreign stocks, $40 million in foreign bonds and $4 million in dedicated or immunized bond portfolios.

There are 25 401(k) and 457 plan clients.

The parent company is Dominion Bankshares Corp.

Peter Dawyot, senior vice president, is chief investment officer. David Camper and Peter Hartman, vice presidents, are client contacts.

## Douglas, Noyes & Co. Inc.

*50 Broad St., New York, N.Y. 10004; (212) 668-3043*

| | |
|---|---|
| Total assets managed | $99,000,000 |
| Tax-exempt assets managed | $22,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 4 |

Douglas, Noyes & Co. Inc., an equity manager, makes heavy use of cash equivalents during periods of uncertainty. Commitments are based on projected total return and are concentrated on companies with high visibility, above-average growth rates in earnings and dividends, a leadership position in the industry and positive price action relative to the market.

The asset mix Jan. 1 was 73% stocks and 27% cash.

Thirty stocks are followed closely and 50, generally; 15% of research is generated internally.

James Douglas, president, is chief investment officer. Martha Kate Martin, associate director, is client contact.

## Dreman Value Management

*70 Pine St., New York, N.Y. 10270; (212) 785-0202*

| | |
|---|---|
| Total assets managed | $2,189,000,000 |
| Tax-exempt assets managed | $1,711,000,000 |
| Tax-exempt clients | 158 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 3 |

Dreman Value Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is to invest in undervalued low p/e stocks with high yields and solid fundamentals.

Its interest rate anticipation fixed-income approach focuses on safety of principal and yield.

The asset mix Jan. 1 was 93.1% stocks and 6.9% bonds.

One hundred stocks are followed closely and 500, generally; all research is generated internally.

Clients include American Airlines, Ford, City of Baltimore and United Mine Workers.

David N. Dreman, managing director, is chief investment officer. Murat H. Davidson Jr., managing director, is client contact.

## Drexel Burnham Lambert Investment Advisors

*3 Mellon Bank Center, 32nd Floor, Philadelphia, Pa. 19102; (215) 963-3500*

| | |
|---|---|
| Total assets managed | $2,689,000,000 |
| Tax-exempt assets managed | $1,374,000,000 |
| Mortgage-backed assets managed | $99,000,000 |
| Tax-exempt clients | 81 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 13 |

Drexel Burnham Lambert Investment Advisors is an equity, fixed-income and balanced manager.

Its disciplined equity approach concentrates portfolios in undervalued and out-of-favor securities based on relative p/e, yield and price to book.

Its fixed-income approach is active, taking advantage of credit and market inefficiencies and of cyclical and technical trends to add incremental value.

Options and fixed-income futures

### 25 largest managers of mortgage-backed securities

| Managers | $ millions |
|---|---|
| Morgan Stanley Asset Management | 3,330 |
| Alliance Capital Management | 3,000 |
| J.P. Morgan Investment Management | 3,000 |
| Pacific Investment Management | 2,470 |
| Miller, Anderson and Sherrerd | 2,000 |
| Scudder, Stevens & Clark | 1,776 |
| Glenmede Trust | 1,020 |
| Lehman Management | 900 |
| Western Asset Management | 873 |
| Centerre Trust | 800 |
| Fischer, Francis, Trees & Watts | 800 |
| State Street Bank and Trust | 800 |
| RCM Capital Management | 730 |
| Gardner & Preston Moss | 684 |
| Bank One, Indianapolis | 641 |
| Fiduciary Trust | 600 |
| First Kentucky Trust | 600 |
| CMB Investment Counselors | 560 |
| Wellington Management | 545 |
| Brown Brothers Harriman | 500 |
| National Investment Services of America | 500 |
| Security Pacific Investment Managers | 483 |
| Boatmen's National Bank | 479 |
| Duff & Phelps Investment Management | 403 |
| Lowe, Brockenbrough, Tierney & Tattersall | 400 |
| **Total** | **27,894** |

are used.

The asset mix Jan. 1 was 58% stocks, 31% bonds, 4% cash and 7% mortgage-backed securities.

It follows 150 stocks closely and 600, generally; 40% of research is generated internally.

The parent company is Drexel Burnham Lambert Inc. Assets under management by the parent, subsidiaries and affiliates total $6.49 billion.

Clients include Brooklyn Union Gas, Drexel University, Philadelphia and Maryland National Capital Parks.

W. Thacher Brown, senior vice president, is chief investment officer. John Springrose, vice president, is client contact.

### Drexel Management Corp.

*2 Broadway, Sixth Floor, New York, N.Y. 10004; (212) 482-1388*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 4 |

Drexel Management Corp. is an active, short-term, fixed-income manager.

All assets were in cash equivalents Jan. 1.

The parent company is Drexel Burnham Lambert Inc. Total assets under management by the parent, subsidiaries and affiliates is $6.49 billion.

Clients are Lewis Homes and National Health Care Inc.

Bruce J. Trottier, senior vice president, is chief investment officer. Deborah S. Yellen, assistant vice president, is client contact.

### Dreyfus Management Inc.

*767 Fifth Ave., New York, N.Y. 10153; (212) 715-6454*

| | |
|---|---|
| Total assets managed | $1,823,000,000 |
| Tax-exempt assets managed | $1,711,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

Dreyfus Management Inc. is an equity, fixed-income and balanced manager.

Its value-oriented, low p/e contrarian equity approach blends top-down/bottom-up styles with stock selection and asset mix decisions being the most important, followed by industry or sector weighting.

Its fixed-income approach focuses on sector analysis. The average maturity is set to coincide with the peak of the yield curve, but not to exceed 10 years.

The asset mix Jan. 1 was 53% stocks, 36% bonds and 11% cash.

It follows 30 stocks closely and 1,500, generally; 90% of research is generated internally.

The parent company is The Dreyfus Corp. Assets under management by the parent, subsidiaries and affiliates total $31 billion.

Clients include Mississippi Public Employees, Illinois State Teachers, Consolidated Edison of New York and IC Industries.

Peter A. Santoriello is president and chief investment officer. Bruce Kerr, vice president, is client contact.

### Duff & Phelps Investment Management Co.

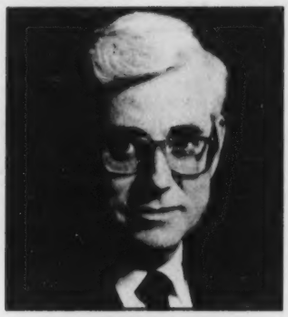
*55 E. Monroe, Chicago, Ill. 60603; (312) 368-5500*

| | |
|---|---|
| Total assets managed | $4,032,000,000 |
| Tax-exempt assets managed | $4,032,000,000 |
| Mortgage-backed assets managed | $403,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 110 |

Duff & Phelps Investment Management Co. is an equity, fixed-income and balanced manager.

Its equity approach employs bottom-up research emphasizing stocks with low p/e multiples, high-dividend income and above-average return on equity. Graham & Dodd analysis is used.

Its fixed-income approach stresses preservation of capital and generation of income using high-quality issues. Maturity distribution is based on interest rate forecasts.



*Robert D. Milne*
*Duff & Phelps Investment*

The asset mix Jan. 1 was 35% stocks, 50% bonds, 5% cash and 10% mortgage-backed securities.

It follows 125 stocks closely and 300, generally; 98% of the research is generated internally.

The parent company is Duff & Phelps Inc.

Clients include Arizona State Compensation Fund, Nevada Industrial Insurance System, Ohio State Highway Patrol and Lincoln Foundation.

Robert D. Milne, president, is chief investment officer. David A. Dahl, portfolio manager, is client contact.

Investment consultants: Nov. 16.

### Eagle Asset Management

*1400 66th St. N., St. Petersburg, Fla. 33710; (800) 237-3101*

| | |
|---|---|
| Total assets managed | $816,000,000 |
| Tax-exempt assets managed | $451,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Eagle Asset Management Inc. is an equity manager that mixes Graham & Dodd and quantitative techniques. The firm invests primarily in non-technology growth stocks with a significant value component.

The asset mix Jan. 1 was 80% stocks and 20% cash.

One hundred stocks are followed closely and 300, generally; 25% of research is generated internally.

The parent company is Raymond James Financial Inc.

Assets under management by the parent, subsidiaries and affiliates total $1.4 billion.

Clients include Carolina Mills, McKee Baking, Florida and Louisiana Teachers.

Herbert E. Ehlers is chief investment officer. Lincoln Kinnicutt, senior vice president, is client contact.

## Eagle Management & Trust

*1200 River Oaks Bank Tower, Houston, Texas 77027; (713) 526-8401*

| | |
|---|---|
| Total assets managed | $820,000,000 |
| Tax-exempt assets managed | $620,000,000 |
| Real estate assets managed | $65,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Eagle Management & Trust Co. is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach combines market timing and Graham & Dodd analysis.

Its fixed-income approach is driven by interest rate anticipation.

Its real estate approach is specialized according to client specifications.

The asset mix Jan. 1 was 46% stocks, 35% bonds, 9% cash and 10% equity real estate.

There was $65 million in equity real estate.

The parent company is Guinness Peat. Total assets under management by the parent company, subsidiaries and affiliates are $10 billion.

Monroe Luther, president, is chief investment officer. Homer Luther, chairman, is client contact.

## Eastdil Realty Inc.

*40 W. 57th St., New York, N.Y. 10019; (212) 315-7200*

| | |
|---|---|
| Total assets managed | $2,120,000,000 |
| Tax-exempt assets managed | $1,438,000,000 |
| Real estate assets managed | $1,438,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CJG |
| Minimum separate account | $50,000,000 |

Eastdil Realty Inc., a real estate manager, focuses on innovative acquisition techniques and in-depth asset management. The objective is to achieve a competitive real rate of return over the long term through the enhancement of property value.

The asset mix Jan. 1 was 95% equity real estate and 5% mortgages.

Clients include California State Teachers, Chrysler, AT&T and Virginia Supplemental.

Benjamin V. Lambert, chairman and chief executive officer, is chief investment officer. Donald E. Conover, vice president, is client contact.

## Eaton Vance Management

*24 Federal St., Boston, Mass. 02110; (617) 482-8260*

| | |
|---|---|
| Total assets managed | $5,622,000,000 |
| Tax-exempt assets managed | $1,143,000,000 |
| 401(k) assets managed | $200,000,000 |
| Mortgage-backed assets managed | $30,000,000 |
| International assets managed | $150,000,000 |
| Tax-exempt clients | 110 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 19 |
| Size of research staff | 16 |

Eaton Vance Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses emerging growth and growth stocks and stresses total return. It does focused, fundamental research for appreciation and income, investing in equities expected to benefit from accelerating earnings growth, a favorable operating environment, timely decisions and high price potential.

Its fixed-income approach stresses active management based on creditworthiness, maturity and sector swaps, marketability and interest rate anticipation. Puts are used for participation in up and down markets.

The asset mix Jan. 1 was 71% stocks, 17% bonds, 10% cash and 2% mortgage-backed securities. It had $70 million in foreign stocks and $80 million in foreign bonds.

The parent company is Eaton Vance Corp.

Clients include Bally, Boise Cascade, Maryland Employees and Northern Indiana Public Service.

James B. Hawkes, vice president, is chief investment officer. John H. Wise Jr., vice president, is client contact.

## Edgewood Management Co.

*201 E. 42nd St., New York, N.Y. 10017; (212) 687-7480*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $18,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Edgewood Management Co. is an equity, fixed-income and balanced manager.

Its equity approach stresses growth stocks and its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 65% stocks, 30% bonds and 5% cash.

There is one 401(k) client.

Thirty-five stocks are followed closely; 25% of research is generated internally.

William C. Breed III is chief investment officer and client contact.

## Dale K. Ehrhart Inc.

*101 W. Venice Ave., Suite 10, Venice, Fla. 33595; (813) 485-8220*

| | |
|---|---|
| Total assets managed | $151,000,000 |
| Tax-exempt assets managed | $52,000,000 |
| Tax-exempt clients | 360 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Dale K. Ehrhart Inc. is an equity and balanced manager.

Its equity approach uses Graham & Dodd analysis and emphasizes top-quality, low p/e blue-chip optionable securities. Covered calls are sold, with some put writing.

The asset mix Jan. 1 was 85% stocks and 15% cash.

The parent company is Interstate Securities Inc. Assets under management by the parent, subsidiaries and affiliates total $226 million.

Thomas B. Trammell is chief investment officer. Mr. Trammell, Dale Ehrhart, president, and Michael Hartley, vice president, are the client contacts.

## Elliott & Page Atlantic Ltd.

*1801 Hollis St., Suite 300, Halifax, Nova Scotia B3J 3N4; (902) 423-9367*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed: | |
| Total | $90,000,000 |
| For subsidiaries of U.S. firms | $1,000,000 |
| Tax-exempt clients: | |
| Total | 7 |
| U.S. subsidiaries | 1 |
| Types of accounts managed | CU |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 5 |

Elliott & Page Atlantic Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its bottom-up equity approach emphasizes growth and emerging growth stocks and Graham & Dodd analysis.

Its risk-averse fixed-income approach is passive and uses interest rate anticipation.

The asset mix Jan. 1 was 40% Canadian stocks, 35% bonds, 15% cash and 10% U.S. stocks.

The parent company is Elliott & Page Ltd. Assets under management by the parent, subsidiaries and affiliates total $2.5 billion.

G. Peter Marshall, president, is chief investment officer. R.G. McKim is client contact.

## Elliott & Page Investment Counsel

*120 Adelaide St. W., Suite 1120, Toronto, Ontario M5H 1V1; (416) 365-8300*

| | |
|---|---|
| Total assets managed | $3,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $500,000,000 |
| For subsidiaries of U.S. firms | $20,000,000 |
| Real estate assets managed | $45,000,000 |
| Tax-exempt clients: | |
| Total | 68 |
| U.S. subsidiaries | 1 |
| Types of accounts managed | CEFU |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 17 |
| Size of research staff | 2 |

Elliott & Page Investment Counsel, a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is value oriented, with some sector rotation and emerging growth focus.

Its fixed-income approach uses interest rate anticipation and sector analysis. Management depends on its outlook for financial markets and interest rates. Issue quality and liquidity are emphasized.

Real estate investment vehicles are provided by an affiliate.

There was $30 million in equity real estate and $15 million in mortgages.

The parent company is North American Life Assurance Co.

Brian Moore, president, is chief investment officer. Malvin C. Spooner, vice president and portfolio manager, is client contact.

## Richard Ellis Inc.

*527 Madison Ave., New York, N.Y. 10022; (212) 355-4810*

| | |
|---|---|
| Total assets managed | $2,405,000,000 |
| Tax-exempt assets managed | $1,150,000,000 |
| Real estate assets managed | $1,150,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 16 |

Richard Ellis Inc., a real estate manager, stresses investments in fundamentally strong office buildings, regional malls and modern industrial properties. Generally, properties are in markets with sustainable economic growth.

The asset mix Jan. 1 was 100% equity real estate.

Ninety-five percent of research is generated internally.

Clients include San Bernardino County, St. Paul Insurance, Bell Regional Operating Co. and Shell.

Christopher D. Budden, president, is chief investment officer. David R. Hodes, senior vice president, is client contact.

## Emerging Growth Partners

*400 E. Pratt St., Baltimore, Md. 21202; (301) 332-1021*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Emerging Growth Partners is an equity manager, emphasizing emerging growth stocks.

All tax-exempt assets Jan. 1 were in stocks.

It follows 120 stocks closely; 80% of the research is generated internally.

R.E. Hall is chief investment officer and H.P. Colhoun is client contact.

## E.M.G. Advisors Inc.

*57 Unquowa Road, Fairfield, Conn. 06880; (203) 255-5701*

| | |
|---|---|
| Total assets managed | $40,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| 401(k) assets managed | $1,000,000 |
| Mortgage-backed assets managed | $16,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 2 |

E.M.G. Advisors Inc. is a fixed-income manager that allocates assets between fixed- and variable-rate instruments as a function of the yield curve, trend and level of interest rates. Instruments are then selected that provide the best yield, credit values and liquidity.

The asset mix Jan. 1 was 5.34% bonds, 7.55% cash, 52.62% mortgage-backed securities, 20.59% certificates of deposit and 13.9% Small Business Administration loans.

There is one 401(k) client.

Options are used.

Clients include Acco Babcock, Guthrie North America, Carlton Fields and Smith & Cutler.

Eben M. Graves Jr. is chief investment officer. William H. Hatch III, executive vice president, is client contact.

## Equitable Capital Management Corp.

*1285 Avenue of the Americas, New York, N.Y. 10019; (212) 554-2000*

| | |
|---|---|
| Total assets managed | $29,069,000,000 |
| Tax-exempt assets managed | $7,847,000,000 |
| 401(k) assets managed | $100,000,000 |
| Mortgage-backed assets managed | $78,000,000 |
| International assets managed | $100,000,000 |
| Tax-exempt clients | 51 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 23 |
| Size of research staff | 17 |

Equitable Capital Management Corp. is an equity, fixed-income, balanced, international and bond index fund manager.

Its equity approach integrates a growth orientation with a value discipline. Sector rotation is used.

It offers passive, high-yield and active fixed-income management. The active approach is based on interest rate anticipation and sector analysis. Portfolios are quantitatively structured.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 60% stocks, 20% bonds, 12% cash, 1% mortgage-backed securities and 7% private placements; there was $100 million in foreign stocks and $83.6 million in dedicated or immunized bond portfolios.

The parent company is The Equitable Life Assurance Society of the United States. Total assets under management by the parent, subsidiaries and affiliates is $90.772 billion.

Brian F. Wruble, president and chief executive officer, is chief investment officer. The client contacts are Alden Stewart for equity and balanced account, and Zane Brown for fixed income.

## Equitable Real Estate Investment Management

*787 Seventh Ave., 46th Floor, New York, N.Y. 10019; (212) 554-4213*

| | |
|---|---|
| Total assets managed | $29,355,000,000 |
| Tax-exempt assets managed | $5,805,000,000 |
| Real estate assets managed | $5,805,000,000 |
| Tax-exempt clients | 255 |
| Types of accounts managed | CJG |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 7 |

Equitable Real Estate Investment Management Inc. acquires ownership and debt positions in diversified, quality, well-located properties with the potential growth of rental income and value appreciation.

The asset mix Jan. 1 was 90% equity real estate and 10% mortgages.

**Key to abbreviations**

**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)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* *Total return which includes changes in principal value, reinvested dividends, capital gains distributions and expenses for the period January 1 through April 30, 1987. Market conditions fluctuate and past performance is no guarantee of future results.*

ASTROP
ASTROP ADVISORY CORPORATION

*George R. Puskar*

There was $5.25 billion in equity real estate, $322 million in mortgages and $232 million in hybrid debt.

The parent company is The Equitable Life Assurance Society of the United States. Assets under management by the parent, subsidiaries and affiliates total $90.772 billion.

Clients include Exxon, Florida, Westinghouse, California Public Employees and North American Philips.

George R. Puskar, president and chief operating officer, is chief investment officer. Joyce R. Frater, senior vice president, is client contact.

### Equitec Institutional Realty Advisers Inc.

*7677 Oakport St., Oakland, Calif. 94614; (415) 430-9900*

| | |
|---|---|
| Total assets managed | $1,400,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| Real estate assets managed | $150,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CG |
| Minimum separate account | $20,000,000 |

Equitec Institutional Realty Advisers Inc. acquires and aggressively manages high-quality, income-producing commercial property. Properties are liquidated within three to seven years, primarily on an all-cash basis.

The asset mix Jan. 1 was 100% equity real estate.

The parent company is Equitec Financial Group Inc. Assets under management by the parent, subsidiaries and affiliates total $3.5 billion.

Clients include Alameda County, C.F. Industries and K mart.

M.S. Cason, chief executive officer, is chief investment officer. Don Jackson, vice president, is client contact.

### Equity Investment Corp.

*Suite 400, 100 Galleria Parkway, Atlanta, Ga. 30339; (404) 578-1700*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| No. of portfolio managers | 1 |

Equity Investment Corp., a new equity management firm, follows a strict investment discipline using a computerized valuation methodology based on principles espoused by W. Buffett. This methodology leads to the ownership of companies with high returns on equity, high growth, low debt and low p/e ratios.

Fifty stocks are followed closely and 6,000, generally; all research is generated internally.

James F. Barksdale, president, is chief investment officer and client contact.

### Estabrook Capital Management Inc.

*430 Park Ave., New York, N.Y. 10022; (212) 319-4343*

| | |
|---|---|
| Total assets managed | $750,000,000 |
| Tax-exempt assets managed | $500,000,000 |
| 401(k) assets managed | $16,000,000 |
| Tax-exempt clients | 162 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 8 |

Estabrook Capital Management Inc. is an equity, fixed-income, balanced and convertible manager.

Its value approach to equities stresses selection based on projections of total return over a stock market cycle. Emphasis is placed on potential growth in earnings and dividends, underlying asset worth and fundamental value.

Its fixed-income approach uses interest rate anticipation. Investments are limited to government and government-guaranteed issues and to corporates and municipals rated A or higher.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

There are six 401(k) clients.

Clients include Chevron, TWA Machinists and South Carolina E&G.

Charles T. Foley is chief investment officer. William C. Petty III is client contact.

### European & Pacific Investment Management

*1100 Melville St., Suite 620, Vancouver, British Colombia V6F 4A6; (604) 687-7306*

| | |
|---|---|
| Total assets managed | $240,000,000 |
| Tax-exempt assets managed | $240,000,000 |
| Tax-exempt clients | 66 |
| Types of accounts managed | CFU |
| Minimum separate account | $7,000,000 |
| No. of portfolio managers | 2 |

European & Pacific Investment Management, a Canadian firm, is an international equity and fixed-income manager.

Its fixed-income approach is fundamentalist, emphasizing faster-growing and generally overlooked international markets.

The parent company is AMI Asset Management International Inc. Total assets under management by the parent company, subsidiaries and affiliates are $3.3 billion.

Frank H. Brouwer, executive vice president, is client contact.

### Evans & Moxon Capital Management Inc.

*19 S. Main St., Yardley, Pa. 19067; (215) 493-0500*

| | |
|---|---|
| Total assets managed | $170,000,000 |
| Tax-exempt assets managed | $170,000,000 |
| Mortgage-backed assets managed | $5,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Evans & Moxon Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes midsize-growth companies ($100 million to $1.5 billion) within industries experiencing above-average growth. Turnover averages 20% annually.

Its fixed-income performance objective is to better market return by 2% to 3% annually through yield curve and yield spread analysis.

The asset mix Jan. 1 was 60% stocks, 25% bonds, 12% cash and 3% mortgage-backed securities.

The firm follows 50 stocks closely and 110, generally; 30% of research is generated internally.

John S. Moxon, president, is chief investment officer. Joseph M. Evans Jr., vice president, is client contact.

*Pensions & Investment Age* will publish profiles and a ranking of the largest international money management firms in the June 29 issue.

f

### Farmer & Lang Inc.

*8735 Dunwoody Place, Atlanta, Ga. 30338; (404) 993-4181*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $135,000,000 |
| Tax-exempt clients | 331 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Farmer & Lang Inc. is an equity manager.

Its equity approach emphasizes Graham & Dodd analysis, low p/e stocks and market timing.

The asset mix Jan. 1 was 85% stocks and 15% cash.

Eighty stocks are followed closely and 1,000, generally; all the firm's research is generated internally.


Balcor Institutional Realty Advisors: Portfolio Strategies

Opportunity at Arborland

Pension investors are increasingly realizing that the real estate portion of their portfolios may be overweighted in the office market, but many are unsure where other opportunities lie.

Balcor pointed the way in early 1986 when it acquired a joint-venture interest in the Arborland Consumer Mall, located in the affluent Ann Arbor, Michigan market, for one of its pension portfolios.

The area's demographic diversity and historical ability to weather economic cycles was a key consideration in the decision to invest in this off-price shopping center. But there were other factors as well.

Our on-site analysis showed Arborland was not only strategically located in its immediate market, it also was the only significant off-price mall within 25 miles. We also found that the 400,000 gross square foot shopping center was well-leased and anchored by a major national tenant, and with the mall's recent renovation and re-tenanting, we anticipated strong performance for years to come.

Helping investors effectively diversify their real estate holdings is only one of the capabilities BIRA offers to pension investors nationwide.

For more information on how we can put our real estate investment expertise to work for your pension portfolio, call John West, Executive Vice President, at 312/676-6980.

*Smart Thinking in Real Estate*

Balcor
An American Express company

Balcor Institutional Realty Advisors, Inc.
4849 Gall Road
Skokie, Illinois 60077

Robert B. Lang, president, is chief investment officer. Harry W. Farmer, chairman, is client contact.

## FASCO

*1660 Walt Whitman Road, Melville, N.Y. 11747; (516) 293-3666*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 150 |
| Types of accounts managed | C |
| Minimum separate account | $25,000 |
| No. of portfolio managers | 2 |

FASCO is an equity manager whose approach combines passive, growth, emerging growth and low p/e stocks. FASCO builds and manages portfolios consisting exclusively of no-load mutual funds for conservative, growth-oriented clients.

Stock index futures are used.

The asset mix Jan. 1 was 10% cash and 90% no-load mutual funds.

Three-fourths of research is generated internally.

The parent company is F.A. Spina & Co. Inc.

Alan J. Levinsohn, president, is chief investment officer and client contact.

## Favia Hill & Associates

*30 Rockefeller Plaza, New York, N.Y. 10112; (212) 621-2928*

| | |
|---|---|
| Total assets managed | $5,442,000,000 |
| Tax-exempt assets managed | $5,313,000,000 |
| Tax-exempt clients | 117 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 4 |

Favia Hill & Associates is an equity, fixed-income, balanced and bond index manager.

Its equity approach adheres to a growth orientation positioned with a valuation screen and identifying major themes that may cross several market sectors.

Its fixed-income approach uses passive indexes that are offered with performance fees. The firm's active management reflects conservative approach with sector rotation emphasis.

The asset mix Jan. 1 was 29% stocks, 54% bonds and 17% cash.

Options are used.

It follows 150 stocks closely and 350, generally; half of the firm's research is internally generated.

The parent company is Chemical New York Corp. Total assets under management by the parent company, subsidiaries and affiliates are $16 billion.

Clients include Los Angeles City Employees, AT&T, Rutgers University, and Dallas Fire & Police.

Kenneth S. Rolland, chairman, is chief investment officer. Erich G. Weissenberger Jr., director of marketing, is client contact.

## Florence Fearrington Inc.

*90 Broad St., New York, N.Y. 10004; (212) 480-9020*

| | |
|---|---|
| Total assets managed | $60,000,000 |
| Tax-exempt assets managed | $11,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Florence Fearrington Inc., an equity manager, uses Graham & Dodd analysis with low p/e stocks in a value approach, purchasing only individual securities when they appear distinctly undervalued in relation to their intrinsic value.

The asset mix Jan. 1 was 70% stocks, 13% bonds and 17% cash; $2.2 million was in foreign stocks.

It follows 40 stocks closely and 100 generally; 25% of research is generated internally.

Florence Fearrington is chief investment officer and client contact.

## Federated Investment Counseling Inc.

*Federated Investors Tower, Pittsburgh, Pa. 15222-3779; (412) 288-6588*

| | |
|---|---|
| Total assets managed | $494,000,000 |
| Tax-exempt assets managed | $477,000,000 |
| International assets managed | $9,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 4 |

Federated Investment Counseling Inc. is an equity, fixed-income and balanced manager.

Its equity approach is quantitative and value-oriented, concentrating in big-cap, high-quality stocks with a moderate asset allocation decision.

Its fixed-income approach uses interest rate anticipation. Accounts are managed on duration with a current range between three and five years.

The asset mix Jan. 1 was 45% stocks, 43% bonds and 12% cash.

There was $9 million in foreign stocks.

It follows 100 stocks closely and 800, generally; 70% of the research is generated internally.

The parent company is Federated Investors, which is owned by Aetna Life & Casualty Co. Total assets under management by the parent company, subsidiaries and affiliates are $104.556billion.

Clients include Titanium Metals Corp., IC Industries, M.A. Hanna Co. and Rockwell.

Henry J. Gaillot, president, is chief investment officer. James H. O'Leary, vice president, is client contact.

## Ferguson & Wellman Inc.

*1001 S.W. Fifth Ave., Suite 1919, Portland, Ore. 97204; (503) 226-1444*

| | |
|---|---|
| Total assets managed | $510,000,000 |
| Tax-exempt assets managed | $448,000,000 |
| Tax-exempt clients | 90 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |

Ferguson & Wellman Inc. is an equity, fixed-income and balanced manager.

Using Graham & Dodd principles, low p/e stocks and sector rotation, the firm takes a disciplined approach to equities, emphasizing value and seeking companies with a potential for earnings growth and subsequent dividend increases.

Its fixed-income approach uses interest rate anticipation and sector analysis, with portfolios structured to emphasize maturities, relative value between sectors and quality levels. Returns are maximized by changing the portfolio's structure in terms of quality, maturity/duration, average coupon and structure commitments.

The asset mix Jan. 1 was 42% stocks, 40% bonds and 18% cash.

H. Joseph Ferguson, president, and Norbert J. Wellman, chairman, are chief investment officers. James H. Rudd, executive vice president, is client contact.

## Ferris Investment Advisors

*1720 Eye St. N.W., Washington, D.C. 20006; (202) 429-3658*

| | |
|---|---|
| Total assets managed | $190,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Tax-exempt clients | 55 |
| Types of accounts managed | F |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Ferris Investment Advisors is an equity and balanced manager.

Its equity approach focuses on low p/e stocks. Its fixed-income approach is passive, investing to boost income and reduce risk in equity portfolios resulting in balance.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

Clients include Sibley Hospital, Greater Southeast Hospital, Washington Hospital Center and Holton Arms School.

Anthony L. Suluetta is chief investment officer. David H. Cunningham is client contact.

## F.I.A. Associates

*1601 Response Road, Suite 300, Sacramento, Calif. 95815; (916) 920-4051*

| | |
|---|---|
| Total assets managed | $1,838,000,000 |
| Tax-exempt assets managed | $1,838,000,000 |
| Real estate assets managed | $1,838,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | G |
| Minimum separate account | $50,000,000 |

F.I.A. Associates, a division of MeraBank, is a real estate manager.

Its approach is conservative, favoring up-and-going properties and emphasizing return on investment; appreciation is secondary. Values are enhanced through intensive asset management.

The asset mix Jan. 1 was 46% equity real estate, 37.8% mortgages and 16.2% debt/equity.

There was $845 million in real estate equity, $696 million in mortgages and $297 million in debt/equity.

The parent company is MeraBank. Total assets managed by the parent company, subsidiaries and affiliates are $5.773 billion.

Clients include California Public Employees, Texas Teachers and Utah.

Norm LaMar, executive vice president-acquisitions, is chief investment officer. James L. Sublett, senior executive vice president, is client contact.

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Largest real estate advisers will be profiled Sept. 21.

### 25 largest mortgage investors*

| Managers | $ millions |
|---|---|
| John Hancock Financial Services | 2,407 |
| Balcor Institutional Realty | 1,316 |
| Manufacturers Hanover Investment | 1,222 |
| J.P. Morgan Investment Management | 1,064 |
| Aetna Life Insurance | 732 |
| F.I.A. Associates | 696 |
| Standish, Ayer & Wood | 650 |
| McMorgan | 600 |
| State Street Research & Management | 591 |
| Transamerica Investment Services | 548 |
| Mortgage Investors Advisory Group | 346 |
| Scudder Realty Advisors | 342 |
| Equitable Real Estate Investment Management | 321 |
| L.J. Melody | 312 |
| Wells Fargo Realty Advisors | 304 |
| Union Labor Life Insurance | 263 |
| Valley National Bank | 242 |
| United of Omaha | 236 |
| Security Pacific Investment Managers | 185 |
| Karsten Realty Advisors | 169 |
| Am Cal | 164 |
| Lomas & Nettleton Advisory | 163 |
| General American Life Insurance | 159 |
| Prudential Asset Management Group | 149 |
| Scudder, Stevens & Clark | 134 |
| **Total** | **13,315** |

* excludes insurance company general account assets

## Fidelity Bank

*135 S. Broad St., Philadelphia, Pa. 19109; (215) 985-6000*

| | |
|---|---|
| Total assets managed | $6,232,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,837,000,000 |
| Commingled | $272,000,000 |
| Separate | $2,565,000,000 |
| Real estate assets managed | $1,289,000,000 |
| Tax-exempt clients | 923 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 5 |

Fidelity Bank is an equity, fixed-income, balanced, real estate and special equity manager.

Its equity approach uses Graham & Dodd analysis to seek change in company, industry or economic condition.

Its fixed-income approach uses interest rate anticipation and active, aggressive management with strict economic disciplines to determine when to lengthen or shorten maturities.

The asset mix Jan. 1 was 31% stocks, 21% bonds, 3% cash, 44% equity real estate and 1% mortgages.

There was $1.25 billion in equity real estate and $39 million in mortgages. Options are used.

The parent company is Fidelcor. Total assets under management by the parent company, subsidiaries and affiliates are $9.007 billion.

Clients include Pennsylavania Municipal, IBEW Local 98, Amax and Agway.

Edward T. Koch, senior vice president, is chief investment officer. Herbert G. Miller, vice president, is client contact.

## Fidelity International Investment Advisors

*111 Devonshire St., Boston, Mass. 02109; (617) 570-6330*

| | |
|---|---|
| Total assets managed | $2,500,000,000 |
| Tax-exempt assets managed | $2,000,000,000 |
| International assets managed | $2,000,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CF |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 21 |

Fidelity International Investment Advisors, an equity and international manager, takes a value-oriented approach, emphasizing local market conditions.

All assets were invested internationally Jan. 1, 95% in stocks and 5% in cash.

The firm follows 800 stocks generally; 75% of research is generated internally.

The parent company is Fidelity International Ltd. Assets under management by the parent, subsidiaries and affiliates total $7 billion.

Clients include GM, GTE, Xerox and Pacific Telesis Group.

James E. Tonner, president, is chief investment officer. William B. Fink, vice president-investments, is client contact.

## Fidelity Management & Research Co.

*82 Devonshire St., Boston, Mass. 02109; (617) 570-5692*

| | |
|---|---|
| Total assets managed | $58,000,000,000 |
| Tax-exempt assets managed | $7,000,000,000 |
| 401(k) assets managed | $2,000,000,000 |
| Types of accounts managed | CEFG |

Fidelity Management & Research Co. is an equity, fixed-income, balanced, international and GIC manager.

Its income-driven equity approach focuses on aggressive growth stocks.

The tax-exempt asset mix Jan. 1 was 65% stocks, 25% bonds and 10% cash.

There are more than 1,000 401(k) clients.

J. Gary Burkhead, president, is the chief investment officer. Jeffrey Paster, corporate marketing manager, is the client contact.

## Fidelity Management Trust

*82 Devonshire St., Boston, Mass. 02109; (617) 570-6902*

| | |
|---|---|
| Total assets managed | $5,466,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,243,000,000 |
| Commingled | $1,298,000,000 |
| Separate | $3,945,000,000 |
| International assets managed | $142,000,000 |
| Tax-exempt clients: | |
| Commingled | 33 |
| Separate | 34 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 14 |
| Size of research staff | 55 |

Fidelity Management Trust Co. is an equity, fixed-income, balanced and international manager.

It follows three primary equity disciplines: an income-managed discipline that is defensive and high yield; an earnings growth discipline emphasizing superior long-term earnings growth and above-average near-term earnings momentum; and a small company growth discipline characterized by small-cap stocks with above-average returns through capital appreciation.

Its fixed-income approach is a high-income bond discipline characterized by high levels of current income, high-quality securities within the lower-rated bond universe and below-market volatility.

The asset mix Jan. 1 was 83.4% stocks, 12.3% bonds and 4.3% cash; $142 million was in foreign stocks.

The parent company is FMR Corp. Assets under management by the parent, subsidiaries and affiliates total $74 billion.

Frank T. Parrish and Richard T. O'Rourke, executive vice presidents, are chief investment officers. Robert L. Reynolds, senior vice president, is client contact.

## Fiduciary Counsel Inc.

*40 Wall St., New York, N.Y. 10005; (212) 344-6400*

| | |
|---|---|
| Total assets managed | $591,000,000 |
| Tax-exempt assets managed | $130,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CEF |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 7 |

Fiduciary Counsel Inc. is an equity, fixed-income, balanced, futures and options and venture manager.

Its equity approach uses Graham & Dodd principles, sector rotation and market timing to invest in growth or emerging growth stocks with a lower than average p/e. Its fixed-income approach is passive. Options, stock index futures and bond index futures are used.

The asset mix Jan 1. was 80% stocks, 15% bonds and 5% cash.

The parent company is Associated Family Services Inc. Assets under management by the parent, subsidiaries and affiliates total $800 million.

Andrew E. Beer, president, is chief investment officer. Jack R. Orben, chairman and chief executive officer, is client contact.

## Fiduciary Management Associates

*55 W. Monroe, Suite 2550, Chicago, Ill. 60603; (312) 930-6850*

| | |
|---|---|
| Total assets managed | $513,000,000 |
| Tax-exempt assets managed | $433,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Fiduciary Management Associates is an equity, fixed-income and balanced manager.

Emphasizing growth and low p/e stocks and sector rotation, it is a top-down, macroeconomic equity manager, investing in well-managed, value-oriented companies that it expects to profit from predicted economic trends.

Basing its fixed-income approach on interest rate anticipation and sector analysis, it uses active, top-down management, varying sector exposure and taking advantage of interest rate changes and yield spread variations.

FMA offers a closed-end real estate fund, American Income Property Trust.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent company is United Asset Management. Total assets under management by the parent company, subsidiaries and affiliates are $17.824

billion.

Philip E. Arnold, president, is chief investment officer. Robert F. Carr III, chairman of the board, is client contact.

### Fiduciary Trust Co. International

*2 World Trade Center, New York, N.Y. 10048; (212) 466-4100*

| | |
|---|---|
| Total assets managed | $14,013,000,000 |
| Tax-exempt assets managed: | |
| Total | $11,445,000,000 |
| Commingled | $40,000,000 |
| Separate | $11,405,000,000 |
| Real estate assets managed | $650,000,000 |
| Mortgage-backed assets managed | $600,000,000 |
| International assets managed | $3,435,000,000 |
| Tax-exempt clients: | |
| Separate | 169 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,500,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 13 |

Fiduciary Trust Co. International, formerly Fiduciary Trust Co. of New York, is an equity, fixed-income, balanced, international and global manager.

Its equity approach uses worldwide economic analysis to structure portfolios using a top-down approach to determine industry weightings, and bottom-up research.

Its fixed-income approach uses sector rotation with intermediate-term, high-quality issues.

The asset mix Jan. 1 was 43% stocks, 43% bonds, 9% cash and 5% equity real estate; there was $2.07 billion in foreign stocks, $1.36 billion in foreign bonds and $630 million in bond index funds.

It follows 400 stocks closely and 40, generally; 65% of research is generated internally.

Clients include Arizona, American Red Cross and the Smithsonian.

Jeremy H. Biggs, executive vice president, is chief investment officer. Preston S. Smith, vice president, is client contact.

### Fielding Management Co.

*379 Park Ave., Rochester, N.Y. 14607; (716) 442-5500*

| | |
|---|---|
| Total assets managed | $95,000,000 |
| Tax-exempt assets managed | $48,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 27 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Fielding Management Co. Inc., a convertible securities manager, invests in convertible bonds of growth companies. Portfolios provide above-average income and appreciation with low volatility. Options are used.

The asset mix Jan. 1 was 10% stocks, 85% convertible bonds and 10% cash.

There are two 401(k) clients.

Ronald H. Fielding is the chief investment officer. John Reinhardt, vice president, is the client contact.

### The Fifth Third Bank

*38 Fountain Square Plaza, Cincinnati, Ohio 45263; (513) 579-4314*

| | |
|---|---|
| Total assets managed | $3,269,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,588,000,000 |
| Commingled | $136,500,000 |
| Separate | $1,451,500,000 |
| 401(k) and 457 assets managed | $12,000,000 |
| Tax-exempt clients: | |
| Commingled | 360 |
| Separate | 138 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 14 |

The Fifth Third Bank is an equity, fixed-income and balanced manager.

Its equity approach is bottom-up and value-oriented, emphasizing low p/e stocks.

Its fixed-income approach minimizes total portfolio volatility; portfolios consist of about 60% Treasury/agency bonds with maturities of five to seven years and a minimum quality of A and weighted average quality of AA.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

It follows 50 stocks closely and 150, generally.

The parent company is Fifth Third Bancorp.

Clients include Sisters of Mercy, Cincinnati Gas and Electric, Sisters of Charity and Ohio Meatpackers, Cutters and Butchers.

P. Michael Brumm is chief investment officer. Timothy J. Lysaght, senior trust sales officer, is client contact.

### Financial Aims Corp.

*Davidson Building, Box 5015, Great Falls, Mich. 59403; (406) 727-6111*

| | |
|---|---|
| Total assets managed | $98,000,000 |
| Tax-exempt assets managed | $34,000,000 |
| 401(k) assets managed | $500,000 |
| Tax-exempt clients | 71 |
| Types of accounts managed | CEF |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Financial Aims Corp. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and low p/e stocks determined by Graham & Dodd analysis, and sector rotation.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 55% stocks, 35% bonds and 10% cash.

There was one 401(k) client.

The parent company is D.A. Davidson & Co. Inc. Assets under management by the parent, subsidiaries and affiliates total $250 million.

William S. MacFadden Jr., president, is chief investment officer and client contact.

### Financial Trust Co.

*6312 S. Fiddler's Green Circle, No. 100N, Englewood, Colo. 80111; (303) 779-1233*

| | |
|---|---|
| Total assets managed | $82,000,000 |
| Tax-exempt assets managed | $82,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 4 |

Financial Trust Co. is an equity, fixed-income, balanced manager and international manager.

It uses non-diversified equity management with a rotational industry emphasis based on strong earnings.

Its fixed-income approach uses sector analysis, emphasizing risk-adjusted total return using duration as a tool.

The asset mix Jan. 1 was 71.6% stocks, 13.5% bonds and 14.9% cash.

The parent company is Britannia Arrow Holdings PLC. Total assets under management by the parent, subsidiaries and affiliates is $20 billion.

Josiah J. Willard III, senior vice president and director of investment research, is chief investment officer. Kenneth J. Ruder, vice president, is client contact.

### First Asset Management

*First Bank Place East, Minneapolis, Minn. 55480; (612) 370-4743*

| | |
|---|---|
| Total assets managed | $3,452,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,451,000,000 |
| Commingled | $1,667,000,000 |
| Separate | $1,784,000,000 |
| Real estate assets managed | $49,000,000 |
| Mortgage-backed assets managed | $39,000,000 |
| Tax-exempt clients: | |
| Commingled | 1,050 |
| Separate | 89 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 5 |

First Asset Management is an equity, fixed-income, balanced and real estate manager.

Its equity approach uses sector rotation and industry concentration with a value bias. Selection of industries and securities is based on its economic forecast, a return-on-equity model and a fair value model.

Its fixed-income strategy centers around fundamental interest rate forecasting within a framework for measuring and controlling both systematic and specific risk in the portfolio. Dedication/immunization strategies are used.

Options are used.

Its real estate approach is to select properties whose values can be enhanced through aggressive management and additional capital.

The asset mix Jan. 1 was 21.5% stocks, 35% bonds, 36.2% cash, 1.4% equity real estate and 5.9% GICs and oil and gas; there was $39 million in mortgage-backed securities is included


## A Selective Approach To International Investing

Rallies on every important foreign market have made picking the right stock seem less important than deciding to invest internationally in the first place. In today's markets, however, buying value clearly calls for a more selective approach.

CMI manages more than US$ 2 billion in international equities. A subsidiary of Deutsche Bank AG, one of the world's largest diversified financial institutions, CMI relies on the information resources of Deutsche Bank's global banking network to spot value on markets from Zurich to Hong Kong. And although past performance is no guarantee of future results, CMI's selections have helped it return an average of 60% to investors during the past two years.

For more information on how Capital Management International can help you take a more selective approach to international investing, call:

212-832-1630
Capital Management International GmbH
9 West 57th Street
New York, NY 10019

| *CMI* | |
|---|---|
| Funds under management: | $ 2.1 bn. |
| Total accounts: | 30 |
| Portfolio managers on staff: | 12 |
| *Deutsche Bank Group* | |
| Total assets: | $ 112.7 bn. |
| Shareholders' equity: | $ 4.4 bn. |
| Total staff: | 48,790 |
| Branches and offices worldwide: | 1,406 |

Capital Management International GmbH
of Deutsche Bank

in the bond allocation and $10 million in equity index funds.

The firm is a wholly owned subsidiary of First Bank System. Assets under management by the parent, subsidiaries and affiliates total $3.45 billion.

John Murphy and Dick Jensen, managing directors, are chief investment officers. Jackson L. Allen Jr. is client contact.

## First Bank Milwaukee

*201 W. Wisconsin Ave., Milwaukee, Wis. 53259; (414) 278-6069*

| | |
|---|---|
| Total assets managed | $272,000,000 |
| Tax-exempt assets managed: | |
| Total | $44,000,000 |
| Commingled | $40,000,000 |
| Separate | $4,000,000 |
| 401(k) and 457 assets managed | $2,000,000 |
| Real estate assets managed | $400,000 |
| Mortgage-backed assets managed | $9,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 250 |
| Separate | 250 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

First Bank Milwaukee is an equity, fixed-income and balanced manager.

Its equity approach is quantitative using technical analysis. The approach is bottom-up, using a quantitative screen with a technical filter to generate buy ideas. Selling is done primarily on a technical basis.

Its fixed-income approach uses interest rate anticipation. The firm then manages the duration of its portfolios relative to the Shearson Lehman Government/Corporate bond index.

The asset mix Jan. 1 was 34% stocks, 55% bonds, 10% cash and 1% equity real estate.

There was $400,000 in real estate equity and $1 million in foreign stocks.

There are 15 401(k) and 457 clients.

The parent company is First Bank. Total assets under management by the parent company, subsidiaries and affiliates are $20 billion.

Richard R. Jandrain is chief trust investment officer. Merl B. Case is client contact.

## First Boston Asset Management Corp.

*12 E. 49th St., New York, N.Y. 10017; (212) 909-4525*

| | |
|---|---|
| Total assets managed | $1,336,000,000 |
| Tax-exempt assets managed | $338,000,000 |
| 401(k) assets managed | $46,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CF |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 5 |

First Boston Asset Management Corp. is an equity, fixed-income and balanced manager.

There were two 401(k) clients as of Jan. 1.

The parent company is First Boston Inc.

Michael F. Holland, president and chief executive officer, is chief investment officer and client contact.

## First Chicago Investment Advisors

*3 First National Plaza, Chicago, Ill. 60670; (312) 732-6474*

| | |
|---|---|
| Total assets managed | $9,013,000,000 |
| Tax-exempt assets managed | $9,013,000,000 |
| Real estate assets managed | $901,000,000 |
| International assets managed | $2,161,000,000 |
| Tax-exempt clients | 267 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 90 |

First Chicago Investment Advisors is an equity, fixed-income, balanced, real estate, international, venture capital and multiple asset class manager.

Its equity approach is value-oriented, based on fundamental research. The firm identifies mispriced securities in shifting market environments, selecting stocks within the context of disciplined judgments on market timing, sector exposures and industry.

For fixed income, a portfolio's interest rate, yield curve, quality/sector and issue-specific exposures are managed to outperform a benchmark (reflecting clients' objectives and tolerances) during an interest rate cycle.

Options, stock index futures and fixed-income futures are used.

Its real estate approach is to build core portfolios of general-purpose properties in proven markets diversified by type and region.

The asset mix Jan. 1 was 16% stocks, 27% bonds, 22% cash, 10% equity real estate, 24% international and 1% venture capital; there was $567 million in foreign stocks, $1.59 billion in foreign bonds and $347 million in dedicated or immunized bond portfolios.

The parent company is First Chicago Corp. Assets under management by the parent, subsidiaries and affiliates total $13.08 billion.

Gary P. Brinson is president and chief investment officer. Diana M. Cohen, assistant vice president, is client contact.

## First City Bank of Dallas, Trust Division

*First City Center, P.O. Box 661700, Dallas, Texas 75266-1700; (214) 939-8401*

| | |
|---|---|
| Total assets managed | $137,000,000 |
| Tax-exempt assets managed: | |
| Total | $70,000,000 |
| Commingled | $9,000,000 |
| Separate | $61,000,000 |
| 401(k) and 457 assets managed | $4,000,000 |
| Real estate assets managed | $2,000,000 |
| Tax-exempt clients: | |
| Commingled | 52 |
| Separate | 34 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

First City Bank of Dallas, Trust Division is an equity, fixed-income and balanced manager.

Its equity approach uses fundamental security analysis, value relationships, timing and flexibility.

Its fixed-income approach is an intermediate core system. Fundamental economic analysis and timing help achieve high current return.

The asset mix Jan. 1 was 24% stocks, 28% bonds, 33% cash, 3% equity real estate and 12% miscellaneous assets.

There are six 401(k) and 457 savings plans.

The parent company is First City Bancorporation of Texas. Total assets under management by the parent, subsidiaries and affiliates are $12.7 billion.

Keith Griffitts, vice president and manager-trust development, is client contact.

## First Fidelity Bank, New Jersey

*765 Broad St., Newark, N.J. 07101; (201) 430-4000*

| | |
|---|---|
| Total assets managed | $6,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,100,000,000 |
| Commingled | $1,300,000,000 |
| Separate | $1,800,000,000 |
| 401(k) and 457 assets managed | $100,000,000 |
| Tax-exempt clients: | |
| Commingled | 940 |
| Separate | 110 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 5 |

First Fidelity Bank, New Jersey, is an equity, fixed-income and balanced manager.

Its equity approach follows Graham & Dodd principles.

Managers look at stocks with the capability to exceed the S&P 500 index growth rate, but having low p/e ratios.

Its fixed-income approach uses sector analysis. Managers use active bond management to capture gains, minimize capital depreciation and reduce risk.

Options are used.

The asset mix Jan. 1 was 55% stocks, 35% bonds, 10% cash; $4 million was in dedicated or immunized bond portfolios.

There are 90 401(k) and 457 plan clients.

It follows 150 stocks closely and 80 to 100, generally; 80% of the research is generated internally.

Clients include Warner-Lambert, Foster Wheeler, Purolator Courier and Hoffman LaRoche.

John Walker, senior vice president, is chief investment officer. Edward F. Meidhof, assistant vice president, is client contact.

### 25 largest real estate managers ranked by equity real estate assets

| Managers | $ millions |
|---|---|
| Equitable Real Estate Investment Management | 5,252 |
| Prudential Asset Management Group | 5,149 |
| Copley Real Estate Advisors | 4,700 |
| Heitman Advisory | 3,025 |
| RREEF Funds | 3,017 |
| Aldrich, Eastman & Waltch | 1,900 |
| Corporate Property Investors | 1,900 |
| LaSalle Advisors | 1,710 |
| JMB Institutional Realty | 1,600 |
| Aetna Life Insurance | 1,554 |
| Boston Co. | 1,515 |
| Eastdil Realty | 1,366 |
| J.P. Morgan Investment Management | 1,278 |
| Fidelity Bank | 1,250 |
| Richard Ellis | 1,150 |
| Trust Co. of the West | 1,098 |
| CIGNA Asset Advisers | 1,083 |
| First Chicago Investment Advisors | 901 |
| Jones Lang Wootton | 900 |
| Security Capital Real Estate | 898 |
| F.I.A. Associates | 845 |
| John Hancock Financial Services | 782 |
| Coldwell Banker | 775 |
| First Wachovia | 750 |
| Lehndorff & Babson | 670 |
| **Total** | **44,068** |

## First Interstate Bank of Arizona

*100 W. Washington, Phoenix, Ariz. 85003; (602) 271-1585*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $240,000,000 |
| Commingled | $110,000,000 |
| Separate | $130,000,000 |
| 401(k) and 457 assets managed | $5,000,000 |
| Real estate assets managed | $24,000,000 |
| Tax-exempt clients: | |
| Commingled | 200 |
| Separate | 150 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 13 |

First Interstate Bank of Arizona is an equity, fixed-income, balanced and real estate manager.

Its equity approach is to buy stocks of growing companies with a record of dividend increases. Its fixed-income approach is passive, maintaining a laddered maturity structure from one to 10 years.

Its real estate approach focuses on management of individual properties.

The asset mix Jan. 1 was 50% stocks, 40% bonds, 5% equity real estate and 5% mortgages.

There are 35 401(k) and 457 plan clients.

The parent company is First Interstate Bancorp. Assets under management by the parent, subsidiaries and affiliates total $17.753 billion.

Robert L. Mueller, senior vice president, is chief investment officer. Richard A. Malcomson, vice president, is client contact.

## First Interstate Bank of California

*707 Wilshire Blvd. W9-1, Los Angeles, Calif. 90017; (213) 614-2336*

| | |
|---|---|
| Total assets managed | $700,000,000 |
| Tax-exempt assets managed | $652,000,000 |
| 401(k) and 457 assets managed | $50,000,000 |
| Real estate assets managed | $14,000,000 |
| Mortgage-backed assets managed | $16,000,000 |
| International assets managed | $16,000,000 |
| Tax-exempt clients | 230 |
| Types of accounts managed | CGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 13 |

First Interstate Bank of California is an equity, fixed-income, balanced, real estate, international and short-term funds manager.

Its equity and fixed-income approaches are passive. Stocks follow the S&P 500 index. Long-term fixed-income goals are to produce real rates of return that exceed the Salomon Brothers BIG index.

Its real estate approach emphasizes geographic diversity, with concentration on areas offering strong growth potential and stable economic bases.

The asset mix Jan. 1 was 27% stocks, 13% bonds, 56% cash, 2% equity real estate and 2% global equity.

First Interstate Bancorp is the parent. Total assets managed by the parent, subsidiaries and affiliates are $17.753 billion.

Vern Kozlen, senior vice president, is chief investment officer. Terry J. Colberg, vice president-marketing, is client contact.

## First Interstate Bank of Denver

*633 17th St., Denver, Colo. 80270; (303) 293-2211*

| | |
|---|---|
| Total assets managed | $2,869,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,722,000,000 |
| Commingled | $242,000,000 |
| Separate | $1,480,000,000 |
| 401(k) and 457 assets managed | $63,000,000 |
| Real estate assets managed | $8,000,000 |
| Tax-exempt clients: | |
| Commingled | 100 |
| Separate | 50 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 15 |
| Size of research staff | 8 |

First Interstate Bank of Denver is an equity, fixed-income and balanced manager.

Its equity approach is growth stock and low p/e. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 66% stocks, 16% bonds, 12% cash, 0.1% equity real estate, 0.3% mortgages and 5.6% miscellaneous accounts.

It follows 130 stocks closely and 200, generally; 70% of research is generated internally.

Total assets managed by the parent, First Interstate Bancorp, and affiliates and subsidiaries is $17.753 billion

Ken Penland, chairman of Denver Investment Advisors, is chief investment officer. Joe Bicknell, trust officer, is client contact.

## First Interstate Bank of Oregon Trust Financial Services Group

*1300 S.W. Fifth Ave., Portland, Ore. 97201; (503) 225-2379*

| | |
|---|---|
| Total assets managed | $2,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,014,000,000 |
| Commingled | $247,000,000 |
| Separate | $767,000,000 |
| 401(k) and 457 assets managed | $20,000,000 |
| Mortgage-backed assets managed | $88,000,000 |
| Tax-exempt clients: | |
| Commingled | 175 |
| Separate | 117 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 3 |

First Interstate Bank of Oregon Trust Financial Services Group is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach uses very low p/e stocks. Its portfolios are structured for low risk, low portfolio beta of 0.8 to 0.9, and high yield.

Its fixed-income approach is passive, focusing on the intermediate sector of the bond market. Average maturity will range from five to 12 years.

The asset mix Jan. 1 was 42% stocks, 48% bonds, 2% cash and 8% mortgage-backed securities.

There are 33 401(k) and 457 plan clients.

The parent company is First Interstate Bancorp. Total assets managed by the parent company, subsidiaries and affiliates are $17.753 billion.

Bruce Willison, chief executive officer, is chief investment officer. Jan Dawson, vice president-employee benefit services, is client contact.

## First Interstate Bank of Washington

*Trust Division, P.O. Box 21927, Seattle, Wash. 98111; (206) 343-8346*

| | |
|---|---|
| Total assets managed | $1,416,000,000 |
| Tax-exempt assets managed: | |
| Total | $546,000,000 |
| Commingled | $119,000,000 |
| Separate | $427,000,000 |
| Tax-exempt clients: | |
| Commingled | 110 |
| Separate | 82 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 9 |

First Interstate Bank of Washington is an equity, fixed-income and balanced manager.

Its equity approach follows Graham & Dodd principles while empnasizing low volatility, high dividend yield, high EPS stability, industrial sector shifting and large-cap stocks, with moderate concentration in sectors or issues.

Its fixed-income approach emphasizes high credit quality and yield pick-up swapping, with moderate emphasis on laddered maturity shifting and sector shifting.

Options are used.

The asset mix Jan. 1 was 57% stocks, 34% bonds, and 9% cash.

J. Clark Reardon, senior vice president and trust officer, is chief investment officer. Lawrence T. Divers, vice president and trust officer, is client contact.

## First Interstate Trust Co. of Wisconsin

*636 Wisconsin Ave., Sheboygan, Wis. 53081; (414) 459-2070*

| | |
|---|---|
| Total assets managed | $401,000,000 |
| Tax-exempt assets managed: | |
| Total | $135,000,000 |
| Commingled | $62,000,000 |
| Separate | $73,000,000 |
| 401(k) and 457 assets managed | $82,000,000 |
| Real estate assets managed | $5,000,000 |
| Mortgage-backed assets managed | $12,000,000 |
| International assets managed | $250,000 |
| Tax-exempt clients: | |
| Commingled | 260 |
| Separate | 126 |
| Types of accounts managed | CEF |
| No. of portfolio managers | 3 |

First Interstate Trust Co. of Wisconsin is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented and contrarian, being fully invested at all times in companies temporarily undervalued relative to their financial characteristics while producing consistent above-average returns.

Its fixed-income approach is passive, using short maturities and floating coupon rates to keep fund volatility at a minimum while producing above-average yields.

Options are used.

The asset mix Jan. 1 was 29% stocks, 60% bonds, 1% equity real estate, 3% mortgages and 7% money market funds; $250,000 was in foreign stocks.

The parent company is First Interstate Corp. of Wisconsin. Assets under management by the parent, subsidiaries and affiliates total $1.49 billion.

Michael Millhouse, vice president, is chief investment officer. Randall Sneller, vice president, is client contact.

## First Investment Management

*120 N. Robinson, Suite 860-West, Oklahoma City, Okla. 73102; (405) 272-4202*

| | |
|---|---|
| Total assets managed | $1,671,000,000 |
| Tax-exempt assets managed | $1,661,000,000 |
| 401(k) assets managed | $14,000,000 |
| Real estate assets managed | $16,000,000 |
| Mortgage-backed assets | $100,000,000 |
| Tax-exempt clients | 140 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

First Investment Management is an equity, fixed-income, balanced, GIC and convertibles manager.

Its equity approach uses quantitative techniques. Managers look for value using three components: a dividend discount model and relative p/e ratio; expectational earnings; and technical confirmation.

Its fixed-income approach uses a core portfolio of one- to 10-year laddered governments. The average maturity is modified from two to 10 years depending on interest rate forecasts, and quality, depending on sector spreads. Options are used.

The asset mix Jan. 1 was 33% stocks, 55% bonds, 4.05% cash, 0.63% equity real estate, 0.32% mortgages, 6% mortgage-backed securities and 1% GICs.

There are seven 401(k) clients.

The parent company is First Interstate Bancorp. Total assets under management by the parent, subsidiaries and affiliates are $17.753 billion.

C. Lee Liscom, vice president and senior portfolio manager, is chief investment officer. Richard H. Parry, vice president and senior portfolio manager, is client contact.

## First Jersey National Bank

*1 Gateway Center, Newark, N.J. 07102; (201) 648-8027*

| | |
|---|---|
| Total assets managed | $1,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $325,000,000 |
| Commingled | $135,000,000 |
| Separate | $190,000,000 |
| 401(k) and 457 assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Commingled | 170 |
| Separate | 230 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 8 |

First Jersey National Bank is an equity, fixed-income and balanced manager.

Its equity strategy emphasizes Graham & Dodd analysis of emerging growth, growth and low p/e stocks, and market timing in its top-down stock selection and value-oriented approach.

Its fixed-income approach is macroeconomic, using active management in maturity structure, quality distribution and sector selection.

The asset mix Jan. 1 was 57% stocks, 37% bonds and 6% cash.

There are 12 401(k) and 457 clients.

Clients include NL Industries, Flexi-Van and Teamsters 469 and 617.

John J. Saueracker, executive vice president, is chief investment officer. J. Thomas Chiolo is client contact.

## First Kentucky Co.

*101 S. Fifth St., Louisville, Ky. 40202; (502) 581-7668*

| | |
|---|---|
| Total assets managed | $1,900,000,000 |
| Tax-exempt assets managed | $1,700,000,000 |
| Tax-exempt clients | 38 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 5 |

First Kentucky Co. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis to identify financially sound companies that are undervalued as measured by high-yield, low p/e and above-average growth in relation to price.

Its fixed-income approach uses sector analysis and follows interest rate trends, actively swapping for enhanced return while maintaining maturity just above or below the index.

The asset mix Jan. 1 was 31% stocks, 56% bonds and 13% cash; $14 million was in dedicated or immunized bond portfolios.

It follows 100 stocks closely and 500, generally; 75% of research is internally generated.

The parent company is First Kentucky National Corp. Assets under management by the parent, subsidiaries and affiliates total $5.2 billion.

Clients include Brown Forman Distillers, Louisville Firefighters, BellSouth and Sisters of Charity of Nazareth.

Irvin W. Quesenberry Jr., senior vice president, is chief investment officer. Barbara J. Brunner, vice president-marketing, is client contact.

## First Kentucky Trust Co.

*P.O. Box 36010, Louisville, Ky. 40233; (502) 581-4200*

| | |
|---|---|
| Total assets managed | $4,803,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,370,000,000 |
| Commingled | $200,000,000 |
| Separate | $2,170,000,000 |
| 401(k) and 457 assets managed | $2,000,000 |
| Real estate assets managed | $5,000,000 |
| Mortgage-backed assets managed | $600,000,000 |
| International assets managed | $12,000,000 |
| Tax-exempt clients: | |
| Commingled | 8 |
| Separate | 92 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 4 |

First Kentucky Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach focuses on growth stock using certain core stocks with some cyclicals/special situations in an attempt to add value.

Its fixed-income approach focuses on duration, modeled after the Shearson Lehman index. The firm trades for incremental gains without changing duration.

The asset mix Jan. 1 was 33% stocks, 23% bonds, 19% cash and 25% mortgage-backed securities; there was $5 million in real estate equity, $2 million in foreign stocks, $10 million in foreign bonds and $1 million in equity index funds.

There are six 401(k) and 457 plan clients.

The parent company is First Kentucky National Corp. Assets under management by the parent, subsidiaries and affiliates total $5.2 billion.

Joseph A. MacHatton, vice president and director of research, is chief investment officer. John H. Yost, senior vice president, is client contact.

## First Manhattan Capital Management

*437 Madison Ave., New York, N.Y. 10022; (212) 832-4469*

| | |
|---|---|
| Total assets managed | $1,729,000,000 |
| Tax-exempt assets managed | $1,729,000,000 |
| Tax-exempt clients | 27 |
| Types of accounts managed | CEF |
| Minimum separate account | $30,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 14 |

First Manhattan Capital Management, an equity manager, emphasizes Graham & Dodd analysis and low p/e stocks in a bottom-up, risk-averse strategy. It buys companies with high returns on equity and low financial leverage at prices substantially below business values and holds positions for long-term results.

The asset mix Jan. 1 was 84% stocks and 16% cash.

It follows 600 stocks closely and 1,500, generally; 80% of research is generated internally.

The parent company is First Manhattan Co. Assets under management by the parent, subsidiaries and affiliates exceed $3 billion.

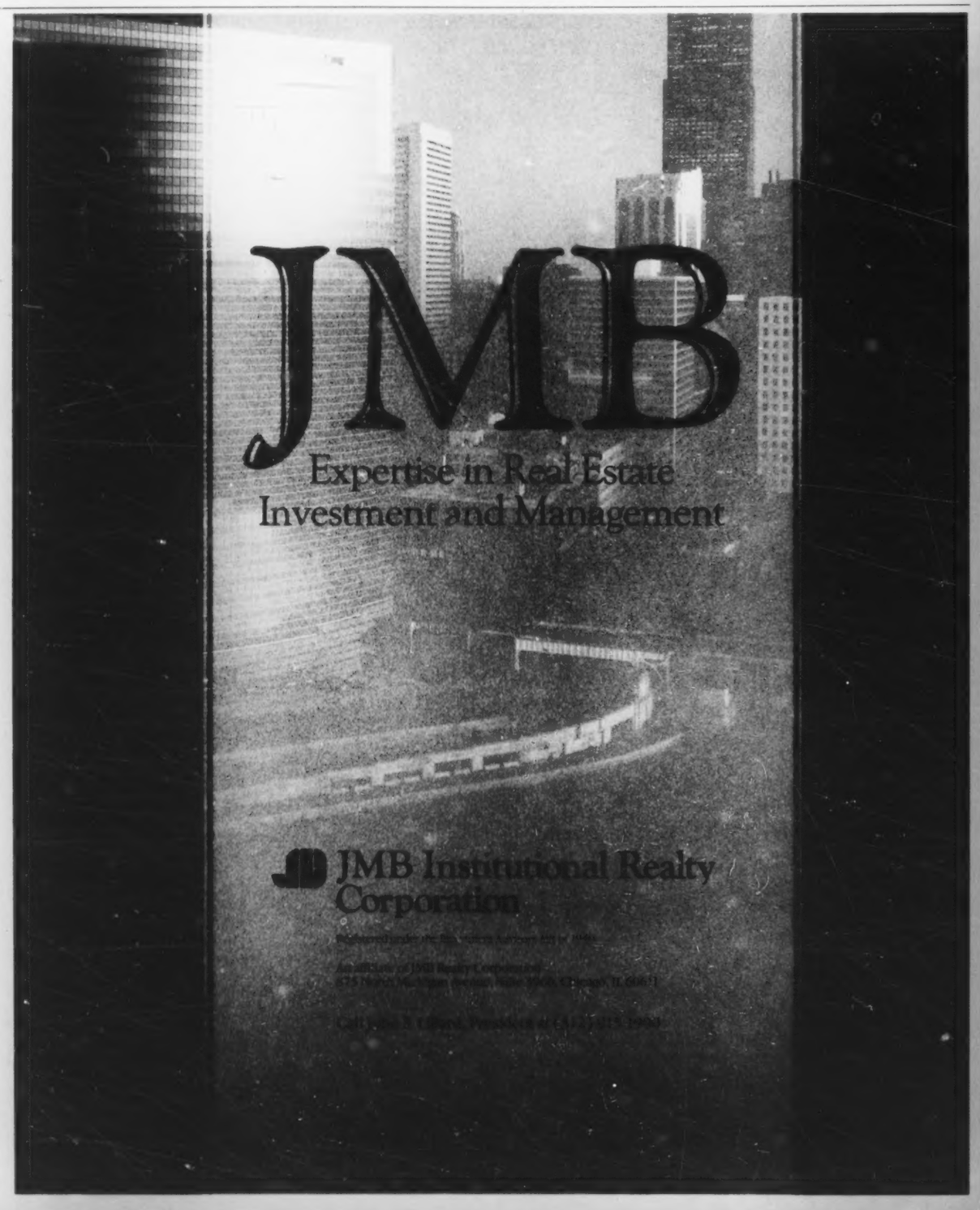
Clients include U S WEST, Consolidated Edison of New York, Sony and Johnson & Johnson.

David S. Gottesman, managing partner, and Robert M. Howitt, president, are chief investment officers. Harold M. Newman, senior vice president, is client contact.

## First Maryland Asset Management

*P.O. Box 1596, 25 S. Charles St., Baltimore, Md. 21203; (301) 244-4617*

| | |
|---|---|
| Total assets managed | $750,000,000 |
| Tax-exempt assets managed | $400,000,000 |
| 401(k) assets managed | $25,000,000 |
| Mortgage-backed assets managed | $40,000,000 |
| International assets managed | $3,000,000 |



| | |
|---|---|
| Tax-exempt clients | 200 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

First Maryland Asset Management is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis of emerging growth and low p/e stocks together with sector rotation and market timing strategies. Equity selection focuses on secular growth, change and valuation characteristics coupled with buy and sell disciplines regarding a specific issue.

Its fixed-income approach focuses on interest rate anticipation and market timing. Intermediate-term maturities form the portfolios' cores.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash; $40 million in mortgage-backed securities is included in the bond allocation. In addition, there was $3 million in foreign bonds and $10 million in dedicated or immunized bond portfolios.

There are 10 401(k) clients.

The parent company is First National Bank of Maryland. Assets under management by the parent, subsidiaries and affiliates total $1.5 billion.

M. Elliott Randolph Jr., senior vice president, is chief investment officer. John A. Gilpin, vice president, is client contact.

### First National Bank of Omaha

*P.O. Box 3128, Omaha, Neb. 68103; (402) 341-0500*

| | |
|---|---|
| Total assets managed | $875,000,000 |
| Tax-exempt assets managed: | |
| Total | $425,000,000 |
| Commingled | $54,000,000 |
| Separate | $371,000,000 |
| Tax-exempt clients: | |
| Commingled | 250 |
| Separate | 35 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |

First National Bank of Omaha is an equity, fixed-income and balanced manager.

Its equity style uses Graham & Dodd analysis in a bottom-up, value-oriented, long-term investment approach dealing with larger, seasoned companies with sound fundamentals and selling at reasonable prices.

Its bond portfolios use a laddered approach, with about a 10% emphasis placed on the short or long portion based on the firm's economic outlook. This means portfolios have constantly maturing issues and can take advantage of interest rate increases. Minimum rating is A; maximum maturity is 25 years.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

Clients include Omaha Public Power District and Omaha Civilian Employees.

Thomas W. Allen is chief investment officer. Milton E. Lackey is client contact.

### The First National Bank of Cincinnati

*First National Bank Center, Fifth & Walnut Streets, Cincinnati, Ohio 45201; (513) 632-4588*

| | |
|---|---|
| Total assets managed | $1,958,000,000 |
| Tax-exempt assets managed: | |
| Total | $432,000,000 |
| Commingled | $93,000,000 |
| Separate | $339,000,000 |
| 401(k) and 457 assets managed | $90,000,000 |
| Tax-exempt clients: | |
| Commingled | 240 |
| Separate | 896 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 8 |

The First National Bank of Cincinnati is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks with sector rotation and market-timing techniques. Managers emphasize growth at the right price. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 50% stocks and 50% bonds; $50 million was in dedicated or immunized portfolios.

There were 157 401(k) and 457 plan clients.

The parent company is First National Cincinnati Corp. Assets under management by the parent, subsidiaries and affiliates total $6.1 billion.

Harold A. Klink, vice president and trust officer, is chief investment officer. Thomas J. Lalonde is client contact.

### First National Bank of Shreveport, Trust Division

*P.O. Box 21116, Shreveport, La. 71154; (318) 226-2217*

| | |
|---|---|
| Total assets managed | $1,004,000,000 |
| Tax-exempt assets managed: | |
| Total | $83,000,000 |
| Commingled | $35,000,000 |
| Separate | $48,000,000 |
| 401(k) and 457 assets managed | $2,000,000 |
| Mortgage-backed assets managed | $15,000,000 |
| Tax-exempt clients: | |
| Commingled | 171 |
| Separate | 178 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

First National Bank of Shreveport, Trust Division, is an equity, fixed-income, balanced and real estate manager.

Its equity approach is to invest in various sectors to meet or exceed the performance of the S&P 500. Weightings may vary slightly from S&P 500, but overall positions are similar. Purchases and sales are based on market timing and research on underlying companies.

Its fixed-income approach concentrates on quality-rated securities with a shorter than usual maturity due to expectations of interest rate changes.

Options are used.

The asset mix Jan. 1 was 45% stocks, 18% bonds, 5% cash and cash equivalents, 18% mortgage-backed securities and 14% money markets; $18 million was in equity index funds and $17 million in bond index funds.

There are two 401(k) and 457 plan clients.

The parent company is Louisiana Bancshares Inc. Assets under management by the parent, subsidiaries and affiliates total $3.3 billion.

David Murphy, trust investment officer, is chief investment officer. Alex Ivins, vice president and trust officer, is client contact.

### The First National Bank and Trust Co. of Tulsa

*P.O. Box 1, Tulsa, Okla. 74193; (918) 586-5661*

| | |
|---|---|
| Total assets managed | $1,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $974,000,000 |
| Commingled | $54,000,000 |
| Separate | $920,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| Tax-exempt clients: | |
| Commingled | 94 |
| Separate | 61 |
| Types of accounts managed | CF |
| No. of portfolio managers | 5 |

The First National Bank and Trust Co. of Tulsa is an equity, fixed-income and balanced manager.

Its equity approach emphasizes low p/e stocks. It actively manages stocks of companies with above-average growth rates in earnings and dividends.

Its fixed-income approach focuses on interest rate anticipation with some sector rotation based on spread analysis.

There was $10 million in dedicated or immunized bond portfolios Jan. 1.

There are 24 401(k) and 457 plan clients.

The parent company is The Liberty National Bank and Trust Co. of Oklahoma City. Assets under management by the parent, subsidiaries and affiliates total $3.8 billion.

William Boedeker, senior vice president and senior trust officer, is chief investment officer. Richard A. Moser, senior vice president and senior trust officer, is client contact.

### First Pacific Advisors Inc.

*10301 W. Pico Blvd., Los Angeles, Calif. 90064; (213) 277-4900*

| | |
|---|---|
| Total assets managed | $1,997,000,000 |
| Tax-exempt assets managed | $1,464,000,000 |
| Mortgage-backed assets managed | $70,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CEF |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

First Pacific Advisors Inc. is an equity, fixed-income and balanced manager.

It is a fundamental, disciplined, value-oriented equity investor, applying specific criteria to identify superior companies and determine attractive prices.

Its fixed-income approach is also value oriented.

Options are used occasionally.

The asset mix Jan. 1 was 68% stocks, 3% bonds, 24% cash and 5% mortgage-backed securities.

It follows 100 stocks closely and 300, generally; 80% of the research is generated internally.

The parent company is Angeles Corp. Total assets under management by the parent, subsidiaries and affiliates exceed $3 billion.

Clients include Rockwell, GTE Service, Xerox and BATUS.

George H. Michaelis is chief investment officer. Lawrence P. McNeil, senior vice president, is client contact.

### First Quadrant Corp.

*305 Madison Ave., Morristown, N.J. 07960; (201) 285-7119*

| | |
|---|---|
| Total assets managed | $5,839,000,000 |
| Tax-exempt assets managed | $65,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | C |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

First Quadrant Corp. is an equity, fixed-income and balanced manager.

Its equity approach employs quantitative screening methods to create diversified portfolios whose p/e is lower and yield generally higher than the S&P 500.

Its fixed-income approach is active and uses sector analysis. Portfolios have durations longer than the Shearson Lehman Government/Corporate index.

Options and stock index futures are used.

The asset mix Jan. 1 was 90% stocks, 5% bonds and 5% cash.

The parent company is Xerox Financial Services. Assets under management by the parent, subsidiaries and affiliates total $10.5 billion.

Robert M. Lovell Jr., president, is chief investment officer and client contact.

### First Security National Bank & Trust Co.

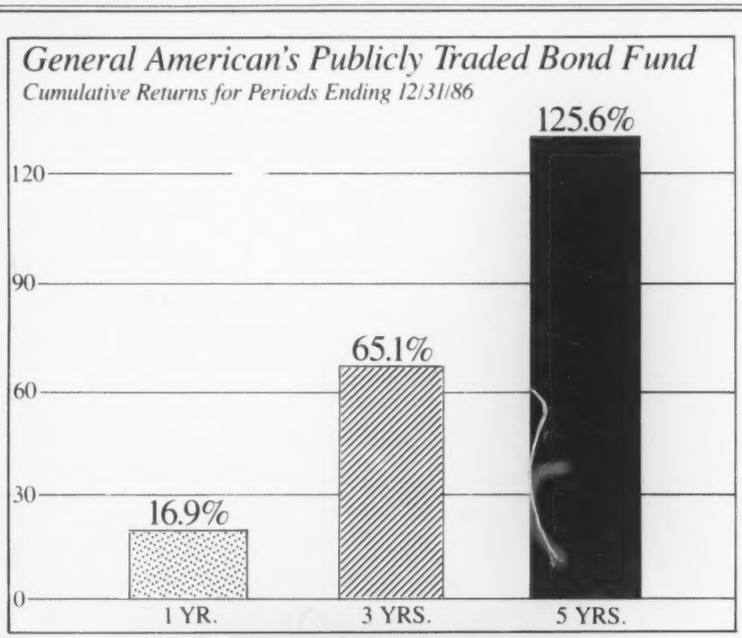
*1 First Security Plaza, Lexington, Ky. 40507; (606) 231-1000*

| | |
|---|---|
| Total assets managed | $694,000,000 |
| Tax-exempt assets managed | $155,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 205 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

First Security National Bank & Trust Co. is an equity, fixed-income and balanced manager.

Its value-oriented stock selection is primarily based on an in-house valuation model modified by a subjective analysis of fundamental factors.

Its fixed-income approach uses interest rate anticipation with emphasis on maturities of 10 years or less to re-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duce volatility.

The asset mix Jan 1. was 51% stocks, 31% bonds, 13% cash and 5% miscellaneous.

There are three 401(k) clients.

The parent company is First Security Corp. of Kentucky. Assets under management by the parent, subsidiaries and affiliates total $975 million.

Jerry C. Troyer, vice president and senior trust investment officer, is chief investment officer. Barry V. Bond, vice president and trust development officer, is client contact.

### First Tennessee Investment Management

*Box 84, Memphis, Tenn. 38101; (901) 523-5651*

| | |
|---|---|
| Total assets managed | $2,033,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,127,000,000 |
| Commingled | $158,000,000 |
| Separate | $969,000,000 |
| Tax-exempt clients: | |
| Commingled | 460 |
| Separate | 512 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 4 |

First Tennessee Investment Management is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation; cycle investors look for stocks with long-term growth in unit volume, sales and earnings. Options are used.

Its fixed-income approach uses interest rate anticipation and sector analysis; cycle investors take advantage of yield curve and other temporary distortions in the market. Credit considerations are emphasized.

The asset mix Jan. 1 was 54% stocks, 40% bonds and 6% cash.

It follows 125 stocks closely and 200, generally; 25% of research is generated internally.

The parent company is First Tennessee National Corp. Total assets under management by the parent company, subsidiaries and affiliates are $2.033 billion.

Clients include Memphis, Memphis Publishing Co. and Shelby County.

William V. Pruett, president, is chief investment officer. David H. Daugherty, vice president, is client contact.

### First Union National Bank

*1200 First Union Plaza/CMG-16, Charlotte, N.C. 28288; (704) 371-5155*

| | |
|---|---|
| Total assets managed | $3,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,399,000,000 |
| Commingled | $1,157,000,000 |
| Separate | $1,242,000,000 |
| 401(k) and 457 assets managed | $76,000,000 |
| Tax-exempt clients: | |
| Commingled | 797 |
| Separate | 79 |
| Types of accounts managed | CEFG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 29 |
| Size of research staff | 7 |

First Union National Bank is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles identifying low p/e stocks. It invests in companies that have average to above-average financial characteristics and that sell substantially below market valuation levels.

Its fixed-income approach is conservative and based on interest rate anticipation, aiming to provide consistently positive returns, attractive levels of current income and capital gains when interest rates decline.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 52% stocks, 32% bonds and 16% cash; $13 million was in equity index funds.

There are 58 401(k) and 457 clients.

The parent company is First Union Corp. Assets under management by the parent, subsidiaries and affiliates total $6 billion.

William R. Hackney III is chief investment officer. Debbie Tate Corson is client contact.

In *Pensions & Investment Age*'s annual survey of investment advisory firms, "tax-exempt assets" refers to U.S. institutional tax-exempt assets only and does not include individuals, IRAs or Keogh plans.

### First Variable Life Insurance

*590 Plaza West Building, Little Rock, Ark. 72205-3081; (501) 661-1500*

| | |
|---|---|
| Total assets managed | $180,000,000 |
| Tax-exempt assets managed: | |
| Total | $106,000,000 |
| Pooled accounts | $63,000,000 |
| Other | $43,000,000 |
| 401(k) and 457 assets managed | $32,000,000 |
| Tax-exempt clients | 250 |
| Types of accounts managed | CG |
| No. of portfolio managers | 3 |
| Size of research staff | 4 |

First Variable Life Insurance Co. is an equity and fixed-income manager.

Its equity approach emphasizes capital growth and current income. Investments will be in common stocks of good quality thought to be undervalued.

Its fixed-income approach is passive and uses sector analysis. The firm emphasizes high income and capital appreciation from a portfolio of medium- and lower-quality corporate bonds.

The separate accounts asset mix Jan. 1 was 90% stocks and 10% bonds.

There were five 401(k) and 457 plan clients.

The parent company is Monarch Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $1.3 billion.

George W. Siguler is chief investment officer. Rebecca Garner, assistant vice president of Monarch Investment Management, is client contact.

### First Wachovia Corp.

*301 N. Main St., Winston-Salem, N.C. 27102; (919) 770-5906*

| | |
|---|---|
| Total assets managed | $8,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,073,000,000 |
| Commingled | $2,527,000,000 |
| Separate | $1,546,000,000 |
| 401(k) and 457 assets managed | $400,000,000 |
| Real estate assets managed | $750,000,000 |
| Tax-exempt clients: | |
| Commingled | 1,250 |
| Separate | 400 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 21 |
| Size of research staff | 11 |

First Wachovia Corp., which includes The First National Bank of Atlanta and the Wachovia Bank & Trust Co., is an equity, fixed-income, real estate and timberland manager.

Its equity approach is quantitative, using Graham & Dodd analysis, growth stocks, sector rotation and market timing.

Its fixed-income approach is multidisciplined, weaving judgments about the interest rate environment with opportunities to add value through sector rotation, security swapping and credit analysis.

Its real estate approach is to acquire properties when demand is low and develop when demand is high.

The asset mix Jan. 1 was 20% stocks, 19% bonds, 43% cash and 18% equity real estate.

There was $750 million in real estate equity.

The parent company is First Wachovia Corp.

Michael Tierney, senior vice president, is chief investment officer. Nicholas L. Verano III, vice president, is client contact.

### First Wisconsin National Bank of Madison

*1 S. Pinckney, P.O. Box 7900, Madison, Wis. 53707; (608) 252-4152*

| | |
|---|---|
| Total assets managed | $1,675,000,000 |
| Tax-exempt assets managed: | |
| Total | $746,000,000 |
| Commingled | $429,000,000 |
| Separate | $317,000,000 |
| 401(k) and 457 assets managed | $100,000,000 |
| Real estate assets managed | $2,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |

First Wisconsin National Bank of Madison is an equity, fixed-income and balanced manager.

Its equity approach uses growth stocks. Its fixed-income approach is passive, using intermediate-term


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bonds.

The asset mix Jan. 1 was 40.2% stocks, 59.3% bonds, 0.2% cash and 0.3% equity real estate.

There are 50 401(k) and 457 plan clients.

The parent company is First Wisconsin Corp. Assets under management by the parent, subsidiaries and affiliates total $4.55 billion.

Scott Harkness is chief investment officer. Robert Webster, vice president, is client contact.

### First Wisconsin Trust Co.

*777 E. Wisconsin Ave., Milwaukee, Wis. 53202; (414) 765-4444*

| | |
|---|---|
| Total assets managed | $2,878,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,725,000,000 |
| Commingled | $671,000,000 |
| Separate | $1,054,000,000 |
| 401(k) and 457 assets managed | $103,000,000 |
| Real estate assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Commingled | 538 |
| Separate | 86 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 21 |

First Wisconsin Trust Co. is an equity, fixed-income, balanced, real estate, quantitative fixed income, equity index, GIC commingled and international manager.

Its equity approach emphasizes growth or capital appreciation. It has three collective equity approaches, distinguished by issue capitalization.

It uses active, passive and quantitative techniques in its fixed-income approach.

In real estate, it takes unleveraged equity positions in existing, leased commercial properties to develop a stable income stream and potential appreciation.

The asset mix Jan. 1 was 10% stocks, 61% bonds, 28.7% cash and 0.3% equity real estate; $18 million was in equity index funds, $170 million in bond index funds and $515 million in dedicated or immunized portfolios.

There are 32 401(k) and 457 plan clients.

The parent company is First Wisconsin Corp. Assets under management by the parent, subsidiaries and affiliates total $4.55 billion.

Jackson A. Kirk is first vice president and chief investment officer. Charles Groeschell, assistant vice president, is client contact.

### Fischer, Francis, Trees and Watts Inc.

*717 Fifth Ave., New York, N.Y. 10022; (212) 350-8050*

| | |
|---|---|
| Total assets managed | $9,900,000,000 |
| Tax-exempt assets managed | $9,100,000,000 |
| Mortgage-backed assets managed | $800,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CEFG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 12 |

Fischer, Francis, Trees and Watts, Inc., a fixed-income manager, uses interest rate anticipation and sector analysis. It manages market risk and sector spread opportunities in prime quality issues with active trading. Hedged foreign securities are used, as are options and fixed-income futures.

All assets were in fixed income Jan. 1.

There was $800 million in mortgage-backed securities and $400 million in dedicated or immunized portfolios.

Clients include IBM, World Bank, Honeywell and New York City Retirement System.

Richard G. Fischer, president, is chief investment officer. Cecilia M. Murphy, vice president, is client contact.

### Fisher Investments Inc.

*301 Henrik Road, Woodside, Calif. 94062; (415) 851-3334*

| | |
|---|---|
| Total assets managed | $110,000,000 |
| Tax-exempt assets managed | $32,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Fisher Investments Inc. is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using internally developed evaluation techniques to identify unpopular or neglected companies with strong balance sheets and good growth prospects.

Its fixed-income approach is primarily passive with the main emphasis on staggered maturities and credit risk. It uses government, corporate and convertible debentures.

The asset mix Jan. 1 was 85% stocks and 15% bonds.

There is one 401(k) client.

Kenneth L. Fisher, president, is chief investment officer. Joseph L. Toms, managing director, is client contact.

### Fiske Capital Management

*40 Grove St., P.O. Box 96; Wellesley, Mass. 02181; (617) 237-0010*

| | |
|---|---|
| Total assets managed | $95,000,000 |
| Tax-exempt assets managed | $79,000,000 |
| 401(k) assets managed | $4,000,000 |
| Tax-exempt clients | 118 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Fiske Capital Management, an equity manager, uses cyclical asset allocation between equities and cash. In rising markets it emphasizes high upside beta issues. It doesn't predict market direction but coordinates with it based on internally developed quantitative research models.

All assets were in cash Jan. 1.

There are five 401(k) clients.

It follows 1,300 stocks closely; all research is generated internally.

Edwin F. Thrall Jr. is chief investment officer. Steven Vantine, director-portfolio operations, is client contact.

### Flagship Financial Inc.

*1 First National Plaza, No. 910, Dayton, Ohio 45402; (513) 461-0332*

| | |
|---|---|
| Total assets managed | $122,000,000 |
| Tax-exempt assets managed | $20,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 5 |

Flagship Financial Inc. is a fixed-income manager.

The asset mix Jan. 1 was 78% bonds and 22% cash.

It uses options and fixed-income futures.

Assets under management by Flagship Financial Inc., its subsidiaries and affiliates total $800 million.

Its clients include Mead Corp.

Richard P. Davis, president, is chief investment officer and client contact.

### Flippin, Bruce & Porter Inc.

*800 Main St., Suite 202, Lynchburg, Va. 24504; (804) 845-4900*

| | |
|---|---|
| Total assets managed | $173,000,000 |
| Tax-exempt assets managed | $105,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Flippin, Bruce & Porter Inc. is an equity and balanced manager.

Its equity approach is contrarian. Managers look beyond current investor emotion, discounting Wall Street expectations and relating historical financial characteristics to current price.

A contrarian fixed-income manager, the firm constructs a "barbell of quality," with BAA securities on the short end and AAA governments on the long end, producing a shorter average maturity with a higher-than-average yield.

Options are used.

The asset mix Jan. 1 was 87% stocks, 7% bonds and 6% cash.

John M. Flippin, John T. Bruce and R. Gregory Porter, principals, are client contacts.

### FMI Capital Management Inc.

*4610 University Ave., Madison, Wis. 53705; (608) 231-1676*

| | |
|---|---|
| Total assets managed | $118,000,000 |
| Tax-exempt assets managed | $63,000,000 |
| Tax-exempt clients | 74 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

FMI Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach involves buying midsize growth companies at or near S&P 500 p/e levels and holding them until the fundamentals weaken or until the p/e reaches an overvalued level.

Its fixed-income approach uses interest rate anticipation for longer-term trends.

The asset mix Jan. 1 was 60.4% stocks, 21.8% bonds and 17.8% cash.

Clients include Wisconsin Power & Light Foundation and Edgewood Clinic.

John W. Thompson, president, is chief investment officer and client contact.

### Foreign and Colonial Asset Management

*45 Wall St., New York, N.Y. 10005; (212) 806-4480*

| | |
|---|---|
| Total assets managed | $3,050,000,000 |
| Tax-exempt assets managed | $28,000,000 |
| 401(k) assets managed | $5,000,000 |
| International assets managed | $28,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 24 |

Foreign and Colonial Asset Management, an international manager, uses growth and low p/e stocks selected after Graham & Dodd analysis with sector rotation. The value-driven approach is top-down/bottom-up or bottom-up. Managers buy large-cap stocks in thinner markets and small-cap stocks in mature, more liquid markets. Sector analysis is emphasized in the Far East. Options, stock index futures and fixed-income futures are used.

All assets were in international equity Jan. 1.

There are 2 401(k) clients.

The parent companies are Foreign and Colonial Management Ltd. and U.S. Trust of New York. Assets under management by the parents, subsidiaries and affiliates total $15 billion.

Eric C. Elstob is chief investment officer. John K. Holland, vice president and marketing director, is client contact.

### Forest Investment Associates

*11 Piedmont Center, Suite 404, Atlanta, Ga. 30305; (404) 239-0986*

| | |
|---|---|
| Total assets managed | $10,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| Real estate assets managed | $10,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |

Forest Investment Associates, a timberland manager, acquires and manages equity interests in timber and timberland in the United States with the objective of preservation of capital and appreciation in real terms.

All assets were in timberland Jan. 1.

Half of the research is generated internally.

Charles M. Tarver, principal, is chief investment officer. David S. Graham, principal, is client contact.

### Forstmann-Leff Associates

*55 E. 52nd St., 33rd Floor, New York, N.Y. 10055; (212) 644-9888*

| | |
|---|---|
| Total assets managed | $4,228,000,000 |
| Tax-exempt assets managed | $4,179,000,000 |
| Tax-exempt clients | 66 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 4 |

Forstmann-Leff Associates Inc. is an equity and balanced manager.

Its risk-averse, capital preservation-and asset allocation-driven equity approach uses sector rotation and market timing. Management of fixed income and cash equivalents, both used as equity substitutes, is keyed to interest rate forecasting and positioning on the yield curve. Stock index futures are used.

The asset mix Jan. 1 was 72% stocks, 6% bonds and 22% cash.

It follows 150 stocks closely and 250, generally; half of the research is generated internally.

The parent company is Guinness Peat Group PLC. Total assets under management by the parent company, subsidiaries and affiliates is $10 billion.

Clients include Lockheed, Amoco, Marriott and Hughes.

Joel B. Leff, J. Anthony Forstmann and William F. Harnisch, managing directors, are chief investment officers. Peter A. Lusk, director of marketing, is client contact.

### Fort Hill Investors Management Corp.

*260 Franklin St., Boston, Mass. 02110; (617) 439-4488*

| | |
|---|---|
| Total assets managed | $434,000,000 |
| Tax-exempt assets managed | $372,000,000 |
| Tax-exempt clients | 36 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 9 |

Fort Hill Investors Management Corp. is an equity, fixed-income and balanced manager.

Its risk-averse equity approach uses emerging growth and low p/e stocks with market timing techniques.

Its active fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash.

It follows 80 stocks closely and 140, generally; half of the research is generated internally.

The parent company is Merchants-Bank of Boston.

Clients include Massachusetts Laborers, Massachusetts Carpenters, TWA Annuity Plan for Machinists and Brockton Retirement.

Orie L. Dudley Jr. is chairman and chief investment officer. Robert P. Caccia, senior vice president, is client contact.

### Fourth Investment Advisors

*P.O. Box 2360, Tulsa, Okla. 74101; (918) 581-0404*

| | |
|---|---|
| Total assets managed | $156,000,000 |
| Tax-exempt assets managed: | |
| Total | $90,000,000 |
| Commingled | $37,000,000 |
| Separate | $53,000,000 |
| Tax-exempt clients: | |
| Commingled | 212 |
| Separate | 2 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Fourth Investment Advisors is an equity, fixed-income and balanced manager.

Its value-oriented equity approach uses Graham & Dodd analysis. It is a

### Canadian investment managers ranked by tax-exempt assets

| Managers | U.S. $ millions |
|---|---|
| Jarislowsky, Fraser | 4,200 |
| Toronto Investment Management | 3,700 |
| Confed Investment Counselling | 2,723 |
| Beutel Goodman | 2,400 |
| Morguard Investments | 2,386 |
| Mu-Cana Investment Counselling | 2,282 |
| M.K. Wong & Associates | 2,200 |
| CT Investment Counsel | 2,081 |
| Sceptre Investment Counsel | 2,073 |
| Phillips, Hager & North | 2,025 |
| Knight, Bain, Seath & Holbrook Capital Management | 1,975 |
| Sun Life Assurance | 1,473 |
| Black, Galper & Heessels | 1,413 |
| Manufacturers Life Insurance | 1,237 |
| Timmins & Associates | 1,120 |
| Guaranty Trust | 1,093 |
| MT Associates Investment Counsel | 1,050 |
| Guardian Ruggles Crysdale | 1,023 |
| Mackenzie Financial | 941 |
| E.J. McConnell & Associates | 900 |
| Prudential Assurance | 900 |
| Bolton Tremblay | 825 |
| Canagex Placements | 820 |
| London Life Insurance | 814 |
| Aetna Capital Management | 556 |
| Montrusco Associates | 540 |
| Elliott & Page Investment Counsel | 500 |
| IMPCO | 440 |
| Hodgson Roberton Laing | 437 |
| Trafalgar Capital Management | 375 |
| Reed Monahan Nicholishen, Investment Counsel | 369 |
| Laketon Investment Management | 365 |
| Dixon Krogseth | 275 |
| European & Pacific Investment Management | 240 |
| Foyston, Gordon & Payne | 225 |
| Investors Group Trust | 222 |
| Kingwest | 220 |
| Yield Management Group | 220 |
| La Sauvegarde Compagnie d'Assurance | 203 |
| Managed Investments | 200 |
| Hamblin Watsa Investment Counsel | 174 |
| Gryphon Investment Counsel | 151 |
| Leith Wheeler Management | 127 |
| Altamira Management | 115 |
| Pembroke Management | 100 |
| Elliott & Page Atlantic | 90 |
| Penreal Advisors | 75 |
| Hughes, King | 70 |
| Vanbrit Investment Management | 54 |
| Mawer & Associates Investment Counsel | 40 |
| Merritt Easton Rae Management | 20 |
| Horgan Investment Counsel | 10 |
| John S. Keenlyside | 10 |
| Guardian Timing Services | 1 |
| **Total** | **48,078** |

traditional manager, emphasizing second-tier companies and a three- to five-year perspective.

Its fixed-income approach uses conservative interest rate anticipation, limited to a maximum duration of five years. Emphasis is on the highest quality issues.

Options are used.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash.

The parent company is Fourth National Corp. Assets under management by the parent, subsidiaries and affiliates total $300 million.

Joseph Y. Smreker, vice president, is chief investment officer. Neal T. Seidle, president, is client contact.

### Foyston, Gordon & Payne

*10 King St. E., Suite 1201, Toronto, Ontario M5C 1C3; (416) 362-4725*

| | |
|---|---|
| Total assets managed | $250,000,000 |
| Tax-exempt assets managed: | |
| Total | $225,000,000 |
| For subsidiaries of U.S. firms | $185,000,000 |
| Tax-exempt clients: | |
| Total | 18 |
| U.S. subsidiaries | 6 |
| Types of accounts managed | CF |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 4 |

Foyston, Gordon & Payne Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach combines growth and low p/e stocks from Graham & Dodd analysis. Stock selection is primarily bottom-up, using an in-house screening process for company fundamentals.

Its fixed-income approach uses interest rate anticipation and sector analysis, concentrating on government securities augmented with high-quality corporate issues.

The asset mix Jan. 1 was 40% Canadian stock, 45% bonds, 7% cash and 8% U.S. stocks.

Peter G. Gordon, president, is chief investment officer and client contact.

### Franklin Asset Management Systems

*777 Mariners Island Blvd., San Mateo, Calif. 94404; (415) 570-3078*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | $110,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CE |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Franklin Asset Management Systems, an equity manager, uses growth and low p/e stocks.

All assets were in equities Jan. 1.

It follows 500 stocks closely and 500, generally; all research is generated internally.

The parent company is Franklin Resources Inc. Assets under management by the parent, subsidiaries and affiliates total $34 billion.

Marvin McClay is chief investment officer. J. Paul Lewis, president, is client contact.

### Franklin Portfolio Associates Inc.

*1 Post Office Square, Suite 3660, Boston, Mass. 02401; (617) 423-4448*

| | |
|---|---|
| Total assets managed | $2,173,000,000 |
| Tax-exempt assets managed | $2,134,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Franklin Portfolio Associates Inc., an equity manager, takes a quantitative and multiple-valuation approach that determines the relative attractiveness of a large universe of stocks. Portfolios are constructed to reflect client benchmarks. Unattractive stocks are sold in a disciplined fashion. Stock index futures are used.

The asset mix Jan. 1 was 98% stocks and 2% cash.

The parent company is Mellon Bank Corp. Total assets under management by the parent company, subsidiaries and affiliates are $50.5 billion.

Clients include IBM, Alcoa, Amoco and General Motors.

John J. Nagorniak, president and chief executive officer, is chief investment officer. Spencer L. Timm, senior vice president, is client contact.

### Franklin Research & Development Corp.

*711 Atlantic Ave., Boston, Mass. 02111; (617) 423-6655*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $45,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 11 |

Franklin Research & Development Corp. is an equity, fixed-income and balanced manager.

Its equity approach is earnings driven, using growth and emerging growth stocks and sector rotation, and screening for such social factors as weaponry, South Africa, environmental and employee relations.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

Joan Bavaria, president, is chief investment officer. David Sand, vice president, is client contact.

### Fraser Management Associates Inc.

*309 S. Willard, P.O. Box 494, Burlington, Vt. 05402; (802) 658-0322*

| | |
|---|---|
| Total assets managed | $92,000,000 |
| Tax-exempt assets managed | $22,000,000 |
| 401(k) assets managed | $200,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 4 |

Fraser Management Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach is contrarian and its fixed-income approach is passive.

The asset mix Jan. 1 was 94% stocks and 6% bonds.

There was one 401(k) client.

The firm follows 50 stocks closely and 140, generally; 30% of research is generated internally.

James L. Fraser, president, is chief investment officer. David D. Steece, vice president, is client contact.

### Froley, Revy Investment Co.

*10900 Wilshire Blvd., Suite 1050, Los Angeles, Calif. 90024; (213) 208-4938*

| | |
|---|---|
| Total assets managed | $558,000,000 |
| Tax-exempt assets managed | $483,000,000 |
| International assets managed | $6,000,000 |
| Tax-exempt clients | 36 |
| Types of accounts managed | CFG |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Froley, Revy Investment Co., an equity manager, invests in growth and small-cap companies through convertible securities.

The asset mix Jan. 1 was 10% stocks, 5% bonds and 85% convertible securities, including $6 million in foreign bonds.

It follows 100 stocks closely and the universe of convertible issuers, generally.

Clients include Gannett, Board of Pensions of the Presbyterian Church and the U.S. Olympic Foundation.

Thomas Revy and George Froley, managing directors, are chief investment officers. Melinda J. Gordon, business development and client relations, is client contact.

### Frontier Capital Management

*286 Congress St., Boston, Mass. 02210; (617) 426-8880*

| | |
|---|---|
| Total assets managed | $806,000,000 |
| Tax-exempt assets managed | $776,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 4 |

Frontier Capital Management Co. is an equity and balanced manager.

Its equity approach features growth stock, specifically small-capitalization and energy stocks.

The asset mix Jan. 1 was 85% stocks, 1% bonds and 14% cash.

It follows 100 stocks closely and


# A second reason to consider Hutton Capital Management for investment portfolios in excess of $3 million:

2. Value-oriented, fundemental equity selection process

HCM

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**Peter N. Smith, Hutton Capital Management**
**17 Battery Place, New York, New York 10004**
**(212) 742-6557**

1,000, generally; 25% of research is generated internally.

Clients include Donaldson, Lufkin & Jenrette; L.L. Bean; GTE; and GM.

J. David Wimberly is chief investment officer. John A. McQuilkin is client contact.

### Frost National Bank

*P.O. Box 1600, San Antonio, Texas 78296; (512) 220-4361*

| | |
|---|---|
| Total assets managed | $1,074,000,000 |
| Tax-exempt assets managed: | |
| Total | $181,000,000 |
| Commingled | $20,000,000 |
| Separate | $161,000,000 |
| 401(k) and 457 assets managed | $500,000 |
| Real estate assets managed | $2,000,000 |
| Mortgage-backed assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Commingled | 115 |
| Separate | 91 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Frost National Bank is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles and proprietary valuation techniques to identify stocks undervalued in relation to the market.

Its fixed-income approach uses interest rate anticipation.

Options are used.

The asset mix Jan. 1 was 51% stocks, 24% bonds, 1% mortgages and 24% cash and equivalents. There also was $200,000 in real estate equity and $5 million in mortgage-backed securities.

There were eight 401(k) and 457 plan clients.

The parent company is Cullen/Frost Bankers Inc. Assets under management by the parent, subsidiaries and affiliates total $1.2 billion.

Vernon Torgerson, senior vice president, is chief investment officer. Andrew W. Behrends, vice president, is client contact.

### Furgueson Capital Management Inc.

*19 W. 44th St., New York, N.Y. 10036; (212) 840-1781*

| | |
|---|---|
| Total assets managed | $96,000,000 |
| Tax-exempt assets managed | $16,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CE |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 3 |

Furgueson Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth and emerging growth stocks analyzed through Graham & Dodd principles. The firm concentrates on balance sheet analysis, strength of management and industry position. Analysis considers worldwide economic and political developments.

Its fixed-income approach is passive. Bonds are used for income and balance. Maturities usually are laddered to reduce interest rate risk.

The asset mix Jan. 1 was 64% stocks, 10% bonds and 26% cash.

Cornelius Furgueson IV is chief investment officer. Mr. Furgueson and Stephen Orr are client contacts.

### Furman Selz Capital Management

*230 Park Ave., New York, N.Y. 10169; (212) 309-8422*

| | |
|---|---|
| Total assets managed | $425,000,000 |
| Tax-exempt assets managed | $375,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 14 |

Furman Selz Capital Management is an equity and balanced manager.

Its equity approach is value-oriented, emphasizing stock selection with a bias toward issues priced at modest p/e ratios.

Its fixed-income approach uses interest rate anticipation, emphasizing portfolio protection and consistent asset growth.

The asset mix Jan. 1 was 76% stocks, 12% bonds and 12% cash.

It follows 400 stocks closely.

The parent company is Furman Selz Holding Corp. Assets under management by the parent, subsidiaries and affiliates total $460 million.

Bill Storff, managing director, is client contact.

g

### Gannett, Welsh & Kotler Inc.

*22 Batterymarch St., Boston, Mass. 02109; (617) 482-8900*

| | |
|---|---|
| Total assets managed | $330,000,000 |
| Tax-exempt assets managed | $40,000,000 |
| International assets managed | $2,000,000 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Gannett, Welsh & Kotler Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses quantitative and Graham & Dodd analysis with sector rotation. Its fixed-income approach uses interest rate anticipation. Options and stock index futures are used.

The asset mix Jan. 1 was 50% stocks, 38% bonds and 12% cash; $2 million was in foreign stocks.

The firm follows 30 stocks closely and 100, generally; 75% of research is generated internally.

Harold G. Kotler, president, is chief investment officer. Susan M. Ambrozavitch, vice president, is client contact.

### Ganucheau, Stupfel & Brumley Investment Counsel

*301 Commerce, No. 1001, Fort Worth, Texas 76102; (817) 332-9918*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed | $74,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Ganucheau, Stupfel & Brumley Investment Counsel is an equity and balanced manager.

Its equity approach uses Graham & Dodd analysis in its value approach seeking low p/e, low price-to-book and low price-to-cash flow stocks.

Its fixed-income approach is passive, using laddered maturity.

The asset mix March 9 was 60% stocks, 10% bonds and 30% cash.

Clients include American Airlines and Harbison Fischer.

Frank Ganucheau and Mark Stupfel, principals, are chief investment officers. Lyle Brumley, principal, is client contact.

### Ganz Associates Inc.

*P.O. Box 601053, Miami, Fla. 33160; (305) 949-2800*

| | |
|---|---|
| Total assets managed | $175,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| Mortgage-backed assets managed | $9,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

Ganz Associates Inc. is an equity and fixed-income manager.

Its equity approach uses growth stocks and market timing.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 70% stocks and 30% mortgage-backed securities.

Fifty stocks are followed closely and 200, generally; 25% of the research is generated internally.

Charles B. Ganz is chief investment officer. Arnold M. Ganz is client contact.

### Gardner & Preston Moss Inc.

*1 Winthrop Square, Boston, Mass. 02110; (617) 482-6500*

| | |
|---|---|
| Total assets managed | $3,291,000,000 |
| Tax-exempt assets managed | $2,785,000,000 |
| Mortgage-backed assets managed | $684,000,000 |
| International assets managed | $279,000,000 |
| Tax-exempt clients | 454 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 20 |
| Size of research staff | 1 |

Gardner & Preston Moss Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks with sector rotation and market-timing techniques. Managers vary asset mix based on economic, technical and valuation factors and use industry-specific key variables and relative valuation measures to vary sector weightings.

For fixed income, managers vary maturity based on interest rate outlook and yield curve valuation. They change sector and quality based on relative value.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 40% stocks, 24% bonds, 11% cash and 25% mortgage-backed securities; $279 million was in foreign bonds and $25 million in dedicated or immunized bond portfolios.

The parent company is Britannia Arrow Holdings PLC. Assets under management by the parent, subsidiaries and affiliates total $20 billion.

G. Kinnear Pash, executive vice president, is chief investment officer. Sue-Ellen Whelan, manager-marketing administration, is client contact.

### Garrett Realty Advisors

*3100 Monticello, Suite 509, Dallas, Texas 75205; (214) 841-2040*

| | |
|---|---|
| Total assets managed | $20,000,000 |
| Tax-exempt assets managed | $20,000,000 |
| Real estate assets managed | $20,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Garrett Realty Advisors, a real estate manager, concentrates on institutional-grade industrial retail properties. It offers closed-end pooled equity trusts, investing in existing net leased industrial properties and well-located, strongly anchored neighborhood shopping centers in major metropolitan areas nationwide.

All assets were in equity real estate Jan. 1.

The parent company is The Garrett Co. Assets under management by the parent, subsidiaries and affiliates total $45 million.

Joe Garrett is chief investment officer. Mr. Garrett and Dan Lawson are client contacts.

### Garrison, Keogh & Co.

*250 Park Ave., New York, N.Y. 10177; (212) 557-7440*

| | |
|---|---|
| Total assets managed | $254,000,000 |
| Tax-exempt assets managed | $169,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

Garrison, Keogh & Co. is an equity and balanced manager.

Its equity approach uses emerging growth and low p/e stocks. Proprietary valuation screens are applied to a closely followed list of stocks with high returns, strong finances and low institutional ownership. Cash reserves are actively used to preserve capital. Bonds are bought only when risk/reward is favorable. Convertibles and selected high-yield issues are often used.

The asset mix Jan. 1 was 62% stocks, 21% bonds and 17% cash; $5 million was in foreign stocks and $5 million in foreign bonds.

The principals are the chief investment officers. William Bradford III, vice president, is client contact.

### Gateway Investment Advisers Inc.

*400 TechneCenter Drive, Milford, Ohio 45150; (513) 248-2700*

| | |
|---|---|
| Total assets managed | $316,000,000 |
| Tax-exempt assets managed | $54,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 27 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

Gateway Investment Advisers Inc. is an equity, balanced and hedged index manager.

It has two equity approaches: value-oriented with low p/e selection or strict quantitative selection of price momentum equities.

Its fixed-income approach uses interest rate anticipation.

Options are used.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash; $10 million was in foreign bonds and $45 million in equity index funds.

Walter G. Sall is chief investment officer. J. David Cummings, vice president-marketing, and K. Bruce Jones, vice president-national sales, are client contacts.

### Geewax, Terker & Co.

*99 Starr St., Phoenixville, Pa. 19460; (215) 935-3000*

| | |
|---|---|
| Total assets managed | $1,450,000,000 |
| Tax-exempt assets managed | $1,450,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CEF |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Geewax, Terker & Co., an equity manager, uses growth stocks with sector rotation techniques.

The asset mix Jan. 1 was 98% stocks and 2% cash.

It follows 400 stocks closely and 1,200, generally; 95% of research is generated internally.

Clients include Bell Atlantic, University of Southern California, Alcoa and The Rockefeller Foundation.

John J. Geewax, partner, is chief investment officer and client contact.

### General American Investors

*330 Madison Ave., New York, N.Y. 10017; (212) 916-8408*

| | |
|---|---|
| Total assets managed | $1,860,000,000 |
| Tax-exempt assets managed | $1,553,000,000 |
| International assets managed | $142,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEFG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 7 |

General American Investors Co. Inc., an equity manager, is fundamental-research oriented and emphasizes growth stocks. It uses bottom-up stock selection and a three-year time frame with stocks having a 50% appreciation potential and minimum downside risk if potential isn't realized.

The asset mix Jan. 1 was 93% stocks and 7% cash; $142 million was in foreign stocks.

It follows 200 stocks closely and 400, generally; 90% of the research is generated internally.

Clients include GTE, New York State Teachers, Yale and Knight Foundation.

Malcolm B. Smith, president, is chief investment officer. James B. Book IV, director of marketing, is client contact.

### General American Life Insurance Co.

*P.O. Box 396, St. Louis, Mo. 63166; (314) 231-1700*

| | |
|---|---|
| Total assets managed | $1,209,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,209,000,000 |
| Pooled accounts | $110,000,000 |
| Separate accounts | $139,000,000 |
| GICs | $471,000,000 |
| Other | $489,000,000 |
| 401(k) and 457 assets managed | $90,000,000 |
| Real estate assets managed | $159,000,000 |
| Tax-exempt clients | 217 |
| Types of accounts managed | CGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

General American Life Insurance Co. is an equity, fixed-income and balanced manager.

Its equity approach is passive, offering an S&P 500 fund and a fund that matches the return of the smallest 20% by capitalization of NYSE-listed companies.

It offers two fixed-income strategies: an actively managed public bond account and a passively managed private placement account.

Its real estate approach is to originate mortgages and purchase real estate in areas where demand is expected to remain strong.

The separate accounts asset mix Jan. 1 was 11% stocks, 15% bonds, 10% cash and 64% mortgages; $27 million was in equity index funds and $32 million was in bond index funds.

There are 80 401(k) and 457 plan clients.

Assets under management by General American Life Insurance Co., its subsidiaries and affiliates total $3.8 billion.

Leonard M. Rubenstein and Donald L. Smith are chief investment officers. Ronald O. Drury, vice president-sales and marketing, is client contact.

### Kenneth J. Gerbino & Co.

*9595 Wilshire Blvd., Suite 200, Beverly Hills, Calif. 90212; (213) 550-6304*

| | |
|---|---|
| Total assets managed | $29,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients | 52 |
| Types of accounts managed | CEJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 4 |

Kenneth J. Gerbino & Co., an eq-


Will IRRC'S CORPORATE GOVERNANCE SERVICES help you vote proxies on:

| | YES | NO |
|---|---|---|
| • POISON PILLS? | ✓ | |
| • ONE SHARE, ONE VOTE? | ✓ | |
| • GREENMAIL? | ✓ | |
| • DIRECTORS' LIABILITY? | ✓ | |

IRRC INVESTOR RESPONSIBILITY RESEARCH CENTER, INC.

contact: David C. Popper
1755 Massachusetts Ave., N.W.
Washington, D.C. 20036
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uity and balanced manager, emphasizes growth stocks. It takes a top-down approach, selecting medium- to large-cap stocks with good fundamentals, excellent management and good growth potential. Technical analysis helps determine entry, exit and stop-loss points.

The asset mix Jan. 1 was 78% stocks, 3% bonds and 19% cash; $1 million was in foreign stocks.

It follows 40 stocks closely and 70, generally; half of the research is generated internally.

Kenneth J. Gerbino is chief investment officer. David H. Kutner, vice president, is client contact.

### Gillespie, Robinson & Co.

*80 Field Point Road, Box 2220, Greenwich, Conn. 06836; (203) 629-2800*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed | $250,000,000 |

Gillespie, Robinson & Co.'s asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

Thomas H. Gillespie Jr. and Blake W. Robinson are principals.

### Gintel Equity Management

*Greenwich Office Park, No. 6, Greenwich, Conn. 06830; (203) 622-6400*

| | |
|---|---|
| Total assets managed | $230,000,000 |
| Tax-exempt assets managed | $93,000,000 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 4 |

Gintel Equity Management, an equity manager, emphasizes Graham & Dodd analysis to identify growth, emerging growth and overlooked low p/e stocks in non-diversified portfolios. If the investment environment appears unstable, assets are moved to short-term money market vehicles from equities.

The asset mix Jan. 1 was 86% stocks and 14% cash.

It follows 12 stocks closely and 20, generally; 85% of research is generated internally.

Robert Gintel, president, is chief investment officer. Alexander L. Robinson Jr., vice president, is client contact.

### Glass, Austin & Calvert Inc.

*InterFirst Plaza, Suite 1100, 300 Convent St., San Antonio, Texas 78205; (512) 224-8241*

| | |
|---|---|
| Total assets managed | $739,000,000 |
| Tax-exempt assets managed | $183,000,000 |
| Mortgage-backed assets managed | $700,000 |
| International assets managed | $5,000,000 |
| Tax-exempt clients | 34 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Glass, Austin & Calvert Inc. is an equity, fixed-income and balanced manager.

Its equity approach is to identify securities undergoing a positive fundamental change that has been overlooked by the market. A combination of fundamental and technical analysis reveals the undervalued companies relative to their industry or the general market.

Its fixed-income approach uses interest rate anticipation and sector analysis. Investment decisions are primarily based on yield curve and spread analysis, with managers identifying longer-term trends instead of attempting to trade on short-term fluctuations.

The asset mix Jan. 1 was 71% stocks, 17% bonds and 12% cash; there was $700,000 in mortgage-backed securities and $5 million in foreign stocks.

Edward M. Glass, president, is chief investment officer and client contact.

### The Glenmede Trust Co.

*229 S. 18th St., Philadelphia, Pa. 19103; (215) 875-3200*

| | |
|---|---|
| Total assets managed | $3,900,000,000 |
| Tax-exempt assets managed | $3,400,000,000 |
| Mortgage-backed assets mngd | $1,020,000,000 |
| International assets managed | $60,000,000 |
| Tax-exempt clients | 25 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

The Glenmede Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach uses Graham & Dodd and quantitative analysis to identify low p/e stocks. It seeks equities with better-than-market financial characteristics with below-market multiples.

*John W. Church Jr.*

Its fixed-income approach uses sector analysis. It observes historic spreads to invest funds in maturities and sectors with most opportunity.

Its use of options is limited.

The asset mix Jan. 1 was 40% stocks, 18% bonds, 10% cash, 30% mortgage-backed securities and 2% foreign equity.

It follows 150 stocks closely and 1,000, generally; 20% of research is generated internally.

Clients include Pew Memorial Trust, Pennsylvania State Teachers, Elwin Institute and Grove City College.

John W. Church Jr., vice president, is chief investment officer. Philip Young is client contact.

### Glickenhaus & Co.

*6 E. 43rd St., New York, N.Y. 10017-4641; (212) 953-7800*

| | |
|---|---|
| Total assets managed | $1,800,000,000 |
| Tax-exempt assets managed | $1,300,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 79 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $4,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 6 |

Glickenhaus & Co. is an equity, fixed-income and balanced manager.

Its equity selection approach is value-oriented and bottom-up, using low p/e stocks. Managers evaluate downside exposure vs. the opportunity for upside potential. When selecting individual securities, the risk-conscious philosophy is characterized by price sensitivity.

Its fixed-income approach uses interest rate anticipation. The risk-conscious philosophy dictates investment in high-quality issues. Managers analyze credit and maturity in relation to economic conditions and the firm's interest rate outlook.

The asset mix Jan. 1 was 85% stocks, 5% bonds and 10% cash.

There were five 401(k) clients.

It follows 100 stocks closely and 300, generally; 80% of the research is generated internally.

Clients include Philip Morris, New York State Teachers, New York Hospital and ILGWU.

Seth M. Glickenhaus is senior partner and chief investment officer. Connie J. Moak, partner, is client contact.

### Gofen & Glossberg Inc.

*401 N. Michigan Ave., Chicago, Ill. 60611; (312) 828-1100*

| | |
|---|---|
| Total assets managed | $3,500,000,000 |
| Tax-exempt assets managed | $410,000,000 |
| Tax-exempt clients | 185 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 4 |

Gofen & Glossberg Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis of emerging growth stocks in a philosophy that stresses total return with valuation techniques emphasizing the relationship of the p/e ratio to anticipated growth rates.


# A third reason to consider Hutton Capital Management for investment portfolios in excess of $3 million:

3. Results have been consistently superior in both up and downmarkets. *Of course, past performance does not guarantee future results.

HCM

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**Peter N. Smith, Hutton Capital Management**
**17 Battery Place, New York, New York 10004**
**(212) 742-6557**

Its fixed-income approach is driven by interest rate anticipation to pursue maximum rate of return consistent with minimal volatility of principal values.

The asset mix Jan. 1 was 55% stocks, 40% bonds and 5% cash.

It follows 100 stocks closely and 500, generally; 30% of research is generated internally.

Carl X. Elvove, president, is chief investment officer. Mark R. Goodman, assistant secretary and treasurer, is client contact.

## Golder, Thoma & Cressey

*120 S. LaSalle St., Suite 630, Chicago, Ill. 60603; (312) 853-3322*

| | |
|---|---|
| Total assets managed | $160,000,000 |
| Tax-exempt assets managed | $91,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEFG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 6 |

Golder, Thoma & Cressey is a venture capital manager, emphasizing growth stocks.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

Clients include Joyce Foundation, Illinois State Board of Investments, General Electric and G.D. Searle.

Stanley C. Golder, general partner, is chief investment officer and client contact.

## Govaars & Associates

*2280 University Drive, Newport Beach, Calif. 92660; (714) 650-0675*

| | |
|---|---|
| Total assets managed | $3,200,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| 401(k) assets managed | $1,000,000 |
| Mortgage-backed assets managed | $8,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |

Govaars & Associates, a fixed-income manager, uses interest rate anticipation and sector analysis. Short-term portfolios are shifted along a yield curve out to five years; mortgage-backed securities are shifted to take significant sector positions; and high-yield portfolios focus on creditworthiness and sector strength. Options and fixed-income futures are used.

The asset mix Jan. 1 was 65% mortgage-backed securities and 35% Treasury and agency notes.

There is one 401(k) client.

W.B. Govaars II, president, is chief investment officer. Sid McCausland, vice president/portfolio manager, is client contact.

## Gradison & Co. Inc.

*580 Building, Plaza Level, Cincinnati, Ohio 45202; (513) 579-5864*

| | |
|---|---|
| Total assets managed | $146,000,000 |
| Tax-exempt assets managed | $84,000,000 |
| Tax-exempt clients | 57 |
| Types of accounts managed | CFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

Gradison & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach is growth- and value-oriented, using quantitative techniques. The approach is earnings driven and disciplined.

Its fixed-income approach is passive. The firm uses government and agency securities in staggered maturities.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

It follows 100 stocks closely and 500, generally.

William J. Leugers Jr., senior vice president, is chief investment officer. Alfred M. Brunner, vice president, is client contact.

## Granahan Investment Management Inc.

*303 Wyman St., Waltham, Mass. 02154; (617) 890-4412*

| | |
|---|---|
| Total assets managed | $71,000,000 |
| Tax-exempt assets managed | $24,000,000 |
| Tax-exempt clients | 1 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Granahan Investment Management Inc., an equity manager, focuses on small, well-managed companies as well as under-researched specialty growth companies.

The asset mix Jan. 1 was 95% stocks and 5% cash.

It follows 100 stocks closely and 200, generally; all research is generated internally.

A Frank Russell Trust Co. commingled fund is its client.

John J. Granahan is chief investment officer. Jane M. White, vice president, is client contact.

## Grantham, Mayo, Van Otterloo & Co. International

*125 High St., Boston, Mass. 02110; (617) 574-4819*

| | |
|---|---|
| Total assets managed | $1,944,000,000 |
| Tax-exempt assets managed | $1,944,000,000 |
| International assets managed | $1,944,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

Grantham, Mayo, Van Otterloo & Co. International is an equity and international manager.

Its International Quantitative Equities pool uses growth and low p/e stocks and quantitative analytical techniques to achieve very large, low-beta foreign equity exposure.

All assets were invested internationally Jan. 1, with 90.6% in stocks, 2.3% in bonds and 7.1% in cash.

It follows 1,200 stocks closely and 3,000, generally; 20% of the research is generated internally.

The parent company is Grantham, Mayo, Van Otterloo & Co. Assets under management by the parent, subsidiaries and affiliates total $4.2 billion.

Clients include World Book, International Monetary Fund, GTE and Corning Glass.

Eyk Van Otterloo, partner, is client contact.

## Greeley National Bank

*Box 1098, Greeley, Colo. 80632; (303) 356-1234*

| | |
|---|---|
| Total assets managed | $80,000,000 |
| Tax-exempt assets managed: | |
| Total | $50,000,000 |
| Commingled | $12,000,000 |
| Separate | $38,000,000 |
| Tax-exempt clients: | |
| Commingled | 12 |
| Separate | 20 |
| Types of accounts managed | CG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

Greeley National Bank is an equity, hedged equity, fixed-income and balanced manager.

Its equity approach varies depending on client risk tolerance. It uses a hedging model of the S&P 500, growth stocks and sector rotation techniques. Stock index futures are used.

Its fixed-income approach is passive or based on interest rate anticipation, depending on client risk tolerance.

The asset mix Jan. 1 was 50% stocks and 50% bonds.

The parent company is Affiliated Banks of Colorado.

Don Taylor is chief investment officer. Mike Phillips is client contact.

## David J. Greene & Co.

*30 Wall St., New York, N.Y. 10005; (212) 344-5180*

| | |
|---|---|
| Total assets managed | $1,315,000,000 |
| Tax-exempt assets managed | $1,085,000,000 |
| Tax-exempt clients | 114 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 10 |

David J. Greene & Co., an equity manager, uses Graham & Dodd analysis to identify and invest in undervalued securities whose price does not reflect past or potential earning power, cash flow, book value and historical trading range.

The asset mix Jan. 1 was 75% stocks and 25% cash.

It follows 100 stocks closely and 300, generally; 97% of the research is generated internally.

Clients include U S WEST, Beatrice, Time and Federal-Mogul.

Alan I. Greene, managing partner, is chief investment officer. Erwin A. Zeuschner, partner-investment advisory services, is client contact.

## Greenleaf Capital Management

*803 Tower East, 20600 Chagrin Blvd., Shaker Heights, Ohio 44122; (216) 752-8900*

| | |
|---|---|
| Total assets managed | $375,000,000 |
| Tax-exempt assets managed | $285,000,000 |
| 401(k) assets managed | $100,000 |
| International assets managed | $36,000,000 |
| Tax-exempt clients | 70 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |

Greenleaf Capital Management is an equity, fixed-income, balanced, international and GIC manager.

Its equity approach emphasizes inefficiently priced emerging growth and low p/e stocks.

Its fixed-income approach is passive. Interest rate anticipation is used to seek investment in intermediate, high-quality bonds.

The asset mix Jan. 1 was 55% stocks. 35% bonds and 10% cash; $35 million was in foreign stocks and $1 million in foreign bonds.

There was one 401(k) client.

The firm follows 100 stocks closely and 50, generally.

Geofrey J. Greenleaf is chief investment officer and client contact.

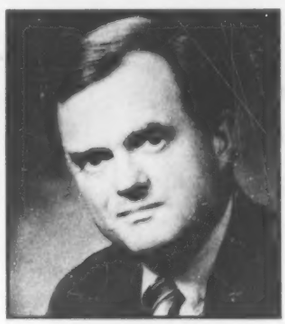
## Griffin Capital Corp.

*3811 Turtle Creek Blvd., Suite 1000, Dallas, Texas 75219; (214) 520-3777*

| | |
|---|---|
| Total assets managed | $36,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Griffin Capital Corp., a real estate manager, purchases corporate real estate assets on a sale-leaseback basis. Investment objectives are preservation of capital and creation of long-term passive high-yield income with escalation provisions. Coupon values are insulated through CPI provisions or lease clauses allowing direct participation in retail property sales growth through percent-of-sales rent provisions.

George Skakee III, managing partner and Robert M.T. Jutson Jr., managing director, are chief investment officers. Mr. Jutson is client contact.



*David R. Geis*
*The Griffin Group*

## The Griffin Group

*200 W. Madison St., Suite 2710, Chicago, Ill. 60606; (312) 407-6300*

| | |
|---|---|
| Total assets managed | $2,825,000,000 |
| Tax-exempt assets managed | $2,748,000,000 |
| Real estate assets managed | $4,000,000 |
| Tax-exempt clients | 66 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |

The Griffin Group is an equity, fixed-income and balanced manager.

Its equity approach attempts to perceive the influence of internal or external change on the growth prospects for a company or industry soon enough to capitalize on future adjustments to market valuations.

In fixed income, it emphasizes interest rate anticipation, sector analysis and individual issue arbitrage. Its controlled risk approach quantifies investment objectives into a benchmark portfolio against which the firm manages.

The asset mix Jan. 1 was 35% stocks, 51% bonds and 14% cash.

Options are used.

The parent company is Northern Trust Corp. Total assets under management by the parent company, subsidiaries and affiliates are $26.529 billion.

Clients include AT&T, General Foods, Illinois Tool Works and Museum of Science & Industry.

David R. Geis is chief investment officer. Peter J. Stockslager is client contact.

## Growth Stock Outlook Inc.

*4405 East-West Highway, Bethesda, Md. 20814; (301) 654-5205*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed | $180,000,000 |
| International assets managed | $5,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $175,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 5 |

Growth Stock Outlook Inc., an equity and international manager, uses Graham & Dodd analysis to identify emerging growth, growth and low p/e stocks.

The asset mix Jan. 1 was 30% stocks and 70% cash; $5 million was in foreign stocks.

It follows 300 stocks closely and 300, generally; all research is generated internally.

Charles Allmon is chief investment officer and client contact.

## Grubb & Ellis Investment Advisors

*1 Montgomery — West Tower, San Francisco, Calif. 94104 (415) 956-1990*

| | |
|---|---|
| Total assets managed | $614,000,000 |
| Tax-exempt assets managed | $295,000,000 |
| Real estate assets managed | $295,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 2 |

Grubb & Ellis Investment Advisors is a real estate manager with a research-oriented approach.

The firm concentrates on markets that demonstrate above-average growth with sufficient market depth to ensure liquidity and business diversification to minimize exposure to single industries.

The firm focuses on development, redevelopment, renovation and releasing of undermanaged and underutilized properties.

The asset mix Jan. 1 was 91.4% equity real estate and 8.6% mortgages.

There was about $270 million in equity real estate and about $25 million in mortgages.

James R. Proud, president, is chief investment officer and client contact.

## Gryphon Investment Counsel Inc.

*2000 Peel St., Suite 710, Montreal, Quebec H3A 2W5; (514) 288-4122*

| | |
|---|---|
| Total assets managed | $1,438,000,000 |
| Tax-exempt assets managed: | |
| Total | $151,000,000 |
| For subsidiaries of U.S. firms | $85,000,000 |
| Tax-exempt clients: | |
| Total | 48 |
| U.S. subsidiaries | 5 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $18,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Gryphon Investment Counsel Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation, market timing and fundamental analysis.

Stock selection within sectors is dependent on in-house research.

Its fixed-income approach emphasizes active interest rate timing, with goals of preservation and enhancement of capital. Concentration is in high-quality marketable bonds and cash, when appropriate.

The asset mix Jan. 1 was 50% Canadian stocks, 30% bonds, 10% cash and 10% U.S. stocks.

George B. Kiddell, president and managing partner, is chief investment officer. Ronald E.F. Kaulbach, managing partner, is client contact.

## G.T. Capital Management

*601 Montgomery St., Suite 1400, San Francisco, Calif. 94111; (415) 392-6181*

| | |
|---|---|
| Total assets managed | $1,020,000,000 |
| Tax-exempt assets managed | $650,000,000 |
| International assets managed | $640,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | C |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 30 |
| Size of research staff | 17 |

G.T. Capital Management Inc., an international equity manager, emphasizes a philosophy of global growth investing, combining a top-down approach to geographic asset allocation (growth economies) with a bottom-up approach to security selection (growth companies). Options and stock index futures are used.

The asset mix Jan. 1 was 96% stocks and 4% cash; $640 million was in foreign stocks.

The parent company is G.T. Management PLC. Assets under management by the parent, subsidiaries and affiliates total $5.6 billion.

Clients include Arco, GM, AT&T and IBM.

Benson H. Fung, executive vice president-international, and Wilford J. Lee, chief investment officer-U.S., are the chief investment officers. Mary Lou Bernhoft, vice president-marketing and client services, is client contact.

## Guaranty Trust Co. of Canada

*366 Bay St., Toronto, Ontario M4H 2W5; (416) 975-4966*

| | |
|---|---|
| Total assets managed | $1,093,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,093,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Real estate assets managed | $28,000,000 |
| Tax-exempt clients | 273 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $3,600,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

Guaranty Trust Co. of Canada is an equity, fixed-income, balanced, real estate and money market manager.

Its equity approach focuses on low p/e stocks, emphasizing sound security selection and diversification within industries and companies. Its approach is disciplined, stressing long-term values.

Its fixed-income approach is sector analysis. Portfolio durations approximate that of midterm indexes. Value is added through options and bond futures. Holdings are predominantly in federal and provincial issues.

Guaranty Realty Investments Ltd. participates in institutional, quality properties.

The asset mix Jan. 1 was 35% Canadian stocks, 55% bonds and 10% U.S. stocks; $2 million was in real estate equity and $26.2 million in mortgages.

The parent company is Traders Group Ltd. Assets under management by the parent, subsidiaries and affiliates total $1.517 billion.

Peter de Auer, vice president-investments, is chief investment officer. D.E. Wannamaker, vice president-pension services, is client contact.

## The Guaranty Trust Co. of Missouri

*7701 Forsyth, Suite 1200, St. Louis, Mo. 63105; (314) 725-9055*

| | |
|---|---|
| Total assets managed | $247,000,000 |
| Tax-exempt assets managed: | |
| Total | $76,000,000 |
| Separate | $76,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Tax-exempt clients | 66 |
| Types of accounts managed | CFG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

The Guaranty Trust Co. of Missouri is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using growth stocks, sector rotation and market timing in a value orientation. Its objective is to outperform market index and manager data bases by managing risk and volatility.

Its fixed-income approach is based on interest rate anticipation enhanced by yield curve and credit sector analysis.

The asset mix Jan. 1 was 42% stocks, 56% bonds and 2% cash.

There are two 401(k) and 457 plan clients.

The parent company is Central Bank Co. Assets under management by the parent, subsidiaries and affiliates exceed $400 million.

David Eckles, vice president, is chief investment officer. Terence A. Verzal, vice president-marketing, is client contact.

### Guardian Ruggles Crysdale

*P.O. Box 201, Royal Bank Plaza, North Tower, 19th Floor, Toronto, Ontario M5J 2J6; (416) 364-8341*

| | |
|---|---|
| Total assets managed | $1,550,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,023,000,000 |
| For subsidiaries of U.S. firms | $161,000,000 |
| Minimum separate account | $3,000,000 |
| Tax-exempt clients: | |
| Total | 60 |
| U.S. subsidiaries | 5 |
| Types of accounts managed | CU |
| No. of portfolio managers | 8 |
| Size of research staff | 3 |

Guardian Ruggles Crysdale Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stocks with a tilt toward medium and small capitalizations. Emphasis is on stock selection.

Its fixed-income approach uses interest rate anticipation, sector analysis and duration match swapping.

The asset mix Jan. 1 was 45% Canadian stocks, 45% bonds and 10% U.S. stocks; $8 million was in dedicated or immunized bond portfolios.

It follows 150 stocks closely and 250, generally; 55% of research is generated internally.

The parent company is Guardian Capital Group Ltd. Assets under management by the parent, subsidiaries and affiliates total $1.8 billion.

Clients include Ford Motor of Canada, Imasco, Gulf Canada and TransAlta Utilities.

John Priestman, president, is chief investment officer. Emily J. Black, vice president-sales and market development, is client contact.

### Guardian Timing Services

*74 Victoria St., Third Floor, Toronto, Ontario M5C 2A5; (416) 863-1100*

| | |
|---|---|
| Total assets managed | $8,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |

Guardian Timing Services Inc., a Canadian firm, is an equity and fixed-income manager.

Its equity approach uses market timing; its fixed-income approach also utilizes market timing, plus short-term or very long-term securities.

As of Jan. 1, 100% of equity accounts were in U.S. and Canadian stocks and 100% of fixed-income accounts were in Treasury bills.

Jean-Pierre Fruchet, president, is chief investment officer and client contact.

### Guildcor Financial Inc.

*701 B St., Suite 2255, San Diego, Calif. 92101; (619) 235-0031*

| | |
|---|---|
| Total assets managed | $3,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

Guildcor Financial Inc. is an equity manager.

Its equity approach includes sector rotation and market timing. Its monetary model uses interest rate anticipation.

All assets Jan. 1 were in stocks.

All research is generated internally.

John Davis is chief investment officer. E. James Welsh is client contact.

### Gulf Investment Management Inc.

*580 Westlake Park Blvd., Suite 1120, Houston, Texas 77079; (713) 493-5887*

| | |
|---|---|
| Total assets managed | $220,000,000 |
| Tax-exempt assets managed | $174,000,000 |
| Mortgage-backed assets managed | $2,000,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Gulf Investment Management Inc., an equity and balanced manager, emphasizes low p/e stocks in a fundamental and disciplined approach with preference for out-of-favor or overlooked securities. Two investment disciplines underlie its buy/sell decisions.

The asset mix Jan. 1 was 72% stocks, 3% bonds and 25% cash.

Clients include Houston Firemen, Texas-New Mexico Power and Abercrombie Oil & Mineral.

Thomas G. Macrini, president, is chief investment officer. T. Charles Toomey, vice president, is client contact.

A special section on leasing will be published in the June 15 edition of *Pensions & Investment Age*.

## h

### R.B. Haave Associates Inc.

*595 Madison Ave., New York, N.Y. 10022; (212) 980-6682*

| | |
|---|---|
| Total assets managed | $76,000,000 |
| Tax-exempt assets managed | $71,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

R.B. Haave Associates Inc., an equity and international manager, targets undervalued stocks in relatively undervalued industries prior to positive changes in economic trends. It uses Graham & Dodd analysis and sector rotation, and emphasizes corporate cash flow and research and development.

The asset mix Jan. 1 was 92% stocks and 8% cash; $2.4 million was in foreign stocks.

It follows 30 stocks closely and 100, generally; all research is generated internally.

Ronald B. Haave, president, is chief investment officer and client contact.

### Hagler, Mastrovita & Hewitt

*1 Post Office Square, Boston, Mass. 02109; (617) 423-6199*

| | |
|---|---|
| Total assets managed | $1,400,000,000 |
| Tax-exempt assets managed | $1,400,000,000 |
| 401(k) assets managed | $100,000,000 |
| International assets managed | $20,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Hagler, Mastrovita & Hewitt Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis to identify misvalued low p/e stocks while actively managing the overall portfolio risk level. The primary investment objective is to buy successful companies that are underpriced relative to earning power.

Its fixed-income approach uses interest rate anticipation and sector analysis to compare expected returns and risks across the spectrum of capital market opportunities and concentrates on sectors and securities where risk-adjusted prospects are best.

The asset mix Jan. 1 was 79% stocks, 6% bonds and 15% cash; $20 million was in foreign stocks.

There is one 401(k) client.

The parent company is United Asset Management. Assets under management by the parent, subsidiaries and affiliates total $17.82 billion.

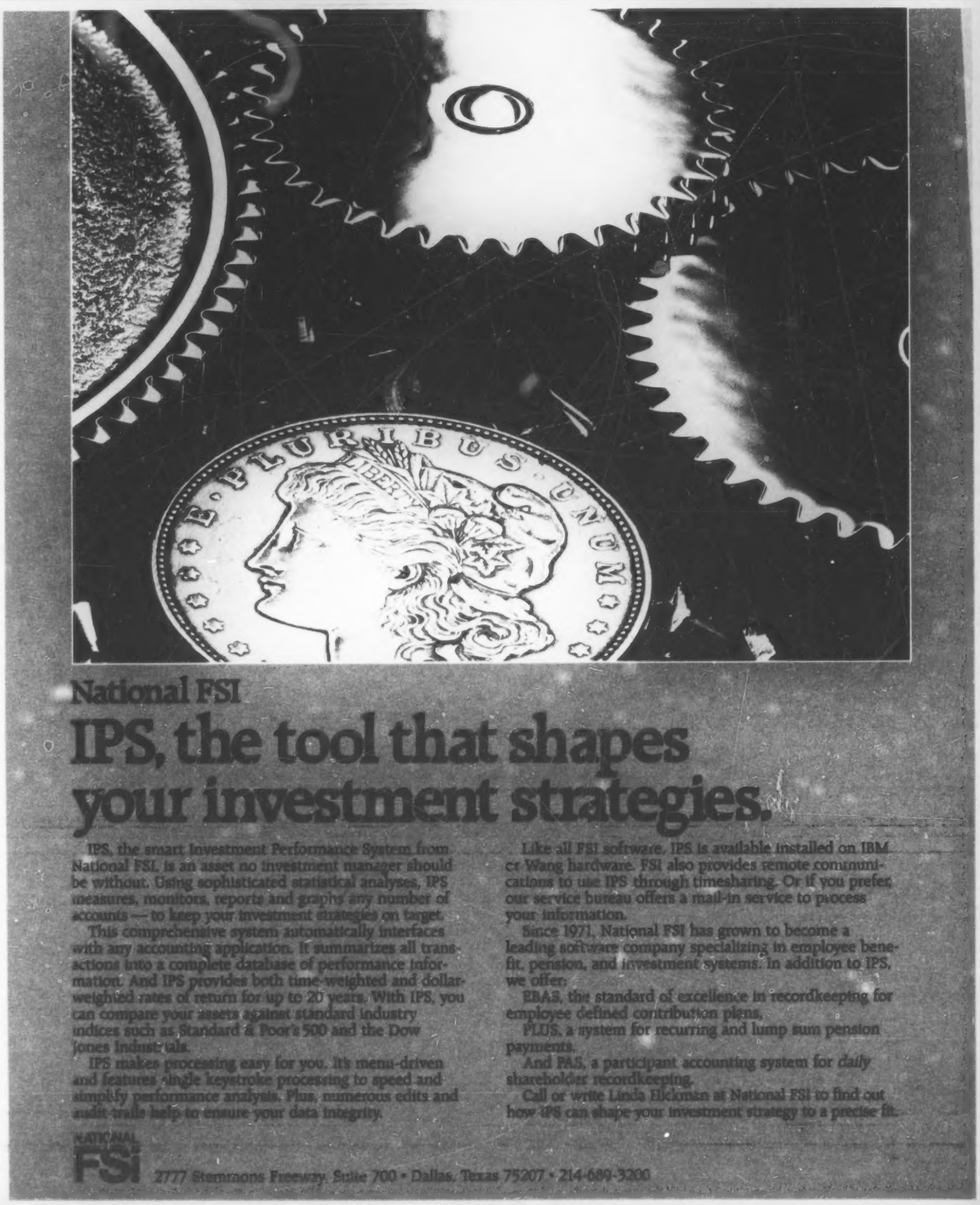
Clients include Ford Foundation, Abbott Labs and Williams College.

Jon L. Hagler, chairman, is client contact.

### Hahn Holland & Grossman

*180 N. Wacker Drive, Chicago, Ill. 60606; (312) 984-3580*

| | |
|---|---|
| Total assets managed | $800,000,000 |

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Tax-exempt assets managed ....$700,000,000
Tax-exempt clients ....43
Types of accounts managed ....CEFJG
Minimum separate account ....$5,000,000
No. of portfolio managers ....3
Size of research staff ....5

Hahn, Holland & Grossman is an equity, fixed-income and balanced manager.

Its equity approach emphasizes conserving capital in falling markets. The firm uses a top-down method concentrating on evaluation of market direction, identification of attractive industries and large-cap, value-oriented stocks. Stock index futures are used.

Its fixed-income approach is passive, using interest rate forecasts to structure portfolios with long, intermediate or short obligations from government or AAA corporate securities depending on yield spreads.

The asset mix Jan. 1 was 80% stocks, 12% bonds and 8% cash.

It follows 50 stocks closely; 80% of research is generated internally.

Clients include Chicago Laborers, Morton Thiokol and Giant Foods.

Donald Hahn is chief investment officer. Kenneth Grossman is client contact.

## Hallmark Capital Management Inc.

*One Exchange Plaza, New York, N.Y. 10006; (212) 363-4480*

Total assets managed ....$50,000,000
Tax-exempt assets managed ....$42,000,000
Tax-exempt clients ....16
Types of accounts managed ....CEFJ
Minimum separate account ....$3,000,000
No. of portfolio managers ....2

Hallmark Capital Management Inc. is an equity and balanced manager.

Its equity approach uses Graham & Dodd principles, stressing value established by the use of a proprietary valuation model and confirmed by traditional fundamental research.

The mix of fixed income and cash equivalent holdings is based on interest rate anticipation. Portfolio composition is conservative and risk averse.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

Robert L. Ardizzone and Peter S. Hagerman, managing directors, are chief investment officers.

## Hamblin Watsa Investment Counsel Ltd.

*67 Yonge St. Suite 1502, Toronto, Ontario M5E 1J8; (416) 366-9544*

Total assets managed ....$259,000,000
Tax-exempt assets managed:
Total ....$174,000,000
For subsidiaries of U.S. firms ....$90,000,000
Tax-exempt clients:
Total ....14
U.S. subsidiaries ....6
Types of accounts managed ....C
Minimum separate account ....$14,000,000
No. of portfolio managers ....3

Hamblin Watsa Investment Counsel Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles to choose stocks with low market price/book value and low p/e. It buys financially sound companies that sell at large discounts to intrinsic value.

Its fixed-income approach uses interest rate anticipation and sector analysis. It invests in long-term, current coupon Canadian government bonds, tempered by interest rates and the spreads relative to other instruments.

The asset mix Jan. 1 was 80% Canadian stocks, 13% bonds, 2% cash and 5% U.S. stocks.

A.F. Hamblin, partner, is chief investment officer and client contact.

## John Hancock Financial Services

*P.O. Box 111, Boston, Mass. 02117; (617) 421-6294*

Total assets managed ....$36,884,000,000
Tax-exempt assets managed:
Total ....$14,825,000,000
Pooled accounts ....$2,164,000,000
Separate accounts ....$795,000,000
GICs ....$6,643,000,000
Annuities/general account ....$5,223,000,000
Real estate assets managed ....$841,000,000
International assets managed ....$446,000,000
Tax-exempt clients ....181
Types of accounts managed ....CEFJG
No. of portfolio managers ....19
Size of research staff ....29

John Hancock Financial Services is an equity, fixed-income, balanced, real estate, international, venture capital, timber, private placements and convertible manager.

Its equity approach, handled through Independence Investment Associates, is active quantitative, and combines fundamental research with investment technology in aggressive issue selection.

Its fixed-income approach is handled through IIA and relies on forecasts of interest rate levels and trends, risk management and systematic decision making.

Its real estate approach is offered through pooled and non-pooled accounts, joint ventures and direct investments in commercial and timber real estate.

The separate accounts asset mix Jan. 1 was 51% stocks, 19% bonds, 2% cash, 26% equity real estate and 2% mortgages.

There was $782 million in real estate equity, $59 million in mortgages, $42 million in foreign stocks, $209 million in foreign bonds and $195 million in foreign short-term investments.

Options and fixed-income futures are used.

The parent company is John Hancock Financial Services. Total assets managed by the parent company, subsidiaries and affiliates are $40.7 billion.

Foster L. Aborn, president-institutional investment and pension sector, is chief investment officer. Richard P. Troy, vice president-investment marketing, is client contact.

## Hanson Investment Management Co.

*4000 Civic Center Drive, Suite 200, San Rafael, Calif. 94903; (415) 499-1400*

Total assets managed ....$550,000,000
Tax-exempt assets managed ....$479,000,000
Tax-exempt clients ....21
Types of accounts managed ....CFJG
Minimum separate account ....$3,000,000
No. of portfolio managers ....5
Size of research staff ....1

Hanson Investment Management Co. is an equity and balanced manager.

It uses Graham & Dodd principles and emphasizes low p/e stocks in its value-oriented, bottom-up approach.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 75% stocks, 12% bonds and 13% cash.

It follows 35 stocks closely and 60, generally; half the research is generated internally.

Clients include Hawaii, Miami, Kellogg and City and County of San Francisco.

Herbert M. Hanson Jr. is chief investment officer and client contact.

## Harbor Capital Management

*265 Franklin St., Suite 1800, Boston, Mass. 02110; (617) 439-4500*

Total assets managed ....$1,362,000,000
Tax-exempt assets managed ....$1,151,000,000
Tax-exempt clients ....73
Types of accounts managed ....CEFJG
Minimum separate account ....$10,000,000
No. of portfolio managers ....6
Size of research staff ....4

Harbor Capital Management Co. Inc. is an equity and balanced manager.

Its equity approach emphasizes growth and low p/e stocks, using a disciplined, "bond-competitive" decision-making process and strong fundamental research.

Its fixed-income approach is conservative, stressing a real rate of return using fundamental economic and interest rate analysis.

The asset mix Jan. 1 was 47% stocks, 43% bonds and 10% cash.

It follows 50 stocks closely and 200, generally; 75% of research is generated internally.

Clients include the U.S. Military Academy, Detroit, Woods Hole Oceanographic Institute and BIC.

Frederick G.P. Thorne, president, is chief investment officer. E. William Hansen, senior vice president, is client contact.

## Harris Trust & Savings Bank

*111 W. Monroe St., Chicago, Ill. 60690; (312) 461-2121*

Total assets managed ....$13,117,000,000
Tax-exempt assets managed:
Total ....$8,463,000,000
Commingled ....$2,530,000,000
Separate ....$5,933,000,000
401(k) and 457 assets managed ....$105,000,000
Real estate assets managed ....$22,000,000
Tax-exempt clients:
Commingled ....450
Separate ....231
Types of accounts managed ....CEFGJ
No. of portfolio managers ....12
Size of research staff ....8

Harris Trust & Savings Bank is an equity, fixed-income, balanced, real estate, convertible securities, stock index futures and options manager. It began offering international management April 1.

Its quantitative equity approach incorporates a model using low p/e, dividend discount, earnings acceleration, earnings estimate change and price momentum. Stocks are ranked by a process that weights each factor to its predictive power.

Its fixed-income approach is based on quantitative models that create bounded active exposures in duration, term structure and sector quality.

Options, stock index futures and fixed-income futures are used.

Its real estate approach is equity-oriented, investing in unleveraged industrial, retail and office properties of $1 million to $3 million. Substantial construction and lease-up risks are avoided in its open-end pooled funds.

The asset mix Jan. 1 was 32% stocks, 31% bonds, 36% cash and 1% equity real estate; $276 million was in equity index funds, $150 million in bond index funds and $510 million in dedicated or immunized bond portfolios.

There are 75 401(k) clients.

The parent company is Bank of Montreal.

John C. Kirscher is senior vice president and chief investment officer. Gary S. Klem, vice president, is client contact.

## Hartford Life Insurance Cos.

*P.O. Box 2999, Hartford, Conn. 06104-2999; (203) 683-8001*

Total assets managed ....$5,032,000,000
Tax-exempt assets managed:
Total ....$2,283,000,000
Pooled accounts ....$85,000,000
Separate accounts ....$401,000,000
GICs ....$826,000,000
Other ....$971,000,000
401(k) and 457 assets managed ....$214,000,000
Real estate assets managed ....$20,000,000
Mortgage-backed assets managed ....$1,000,000
Tax-exempt clients ....385
Types of accounts managed ....CEFGJ
Minimum separate account ....$5,000,000
No. of portfolio managers ....4
Size of research staff ....12

Hartford Life Insurance Cos. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes Graham & Dodd analysis, with optional portfolio structuring by sector and industry, with continuous recomposing, if necessary, to achieve return-risk objectives.

Its fixed-income approach anticipates the level and shape of the yield curve to offer clients a high return with principal value guaranteed.

Its real estate approach is to acquire properties that offer attractive yields and long-term appreciation. Emphasis is on site selection and asset and property management.

The separate accounts asset mix Jan. 1 was 94% stocks, 4% equity real estate, 0.2% mortgage-backed securities and 1.8% short-term money market; $19.3 million was in equity real estate and $29 million was in bond index funds.

The parent company is The Hartford Insurance Group. Assets under management by the parent, subsidiaries and affiliates total $21.242 billion.

Edward Bennett, senior vice president, is chief investment officer. Charles A. Clinton, vice president-asset management services, is client contact.

## Haven Capital Management

*605 Third Ave., 27th Floor, New York, N.Y. 10158; (212) 986-4086*

Total assets managed ....$646,000,000
Tax-exempt assets managed ....$431,000,000
Tax-exempt clients ....26
Types of accounts managed ....CEF
No. of portfolio managers ....5

Haven Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is growth at a reasonable price, based on individual issue selection of large and small businesses considered undervalued. Historical data is examined to identify attractively priced companies with above-average characteristics.

Its fixed-income approach is based on interest rate anticipation derived from economic cycle analysis. Maturity selection is followed by sector and quality judgments to produce consistent competitive returns with low volatility.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash; $11 million was in dedicated or immunized bond portfolios.

Clients include Pennsylvania Power & Light, Cox Enterprises, Diebold and Dr. Scholl Foundation.

Denis M. Turko, managing director, is client contact.

## Hawaiian Trust Co. Ltd.

*P.O. Box 3170, Honolulu, Hawaii 96802; (808) 525-8587*

Total assets managed ....$3,600,000,000
Tax-exempt assets managed:
Total ....$800,000,000
Commingled ....$80,000,000
Separate ....$720,000,000
401(k) and 457 assets managed ....$50,000,000
Real estate assets managed ....$8,000,000
International assets managed ....$10,000,000
Tax-exempt clients:
Commingled ....537
Separate ....10
Types of accounts managed ....CEFGJ
Minimum separate account ....$500,000
No. of portfolio managers ....10

Hawaiian Trust Co. Ltd. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes growth stocks; earnings momentum/surprises are weighted.

In fixed income, it invests in Treasury bonds. Changes in maturity and duration are based on interest rate outlook.

The asset mix Jan. 1 was 60% stocks, 34% bonds, 5% cash and 1% equity real estate.

There was $8 million in real estate equity and $10 million in foreign stocks.

The parent company is Bancorp Hawaii. Total assets under management by the parent company, subsidiaries and affiliates are $4.1 billion.

William J. Barton, senior vice president, is chief investment officer. Reid Smith, investment officer, is client contact.

## Hayden, Tolzmann & Associates Inc.

*1 Regency Drive, P.O. Drawer 708, Bloomfield, Conn. 06002-0708; (203) 243-1481*

Total assets managed ....$36,000,000
Tax-exempt assets managed ....$36,000,000
Real estate assets managed ....$36,000,000
Tax-exempt clients ....1
Types of accounts managed ....G
Minimum separate account ....$10,000,000

Hayden, Tolzmann & Associates Inc., a real estate manager, stresses acquisition of existing, leased, income-producing real estate — leveraged and unleveraged — such as mixed-use, research and development, office, industrial and retail properties nationwide.

The asset mix Jan. 1 was 100% equity real estate.

The parent company is CentreBanc Financial Services Inc.

Client is New Hampshire Retirement System.

David C. Tolzmann, president, is chief investment officer and client contact.

## Heartland Capital Management Inc.

*36 S. Pennsylvania St., Suite 610, Indianapolis, Ind. 46204; (317) 633-4080*

Total assets managed ....$208,000,000
Tax-exempt assets managed ....$160,000,000
401(k) assets managed ....$5,000,000
Tax-exempt clients ....50
Types of accounts managed ....CEFJ
Minimum separate account ....$500,000
No. of portfolio managers ....3

Heartland Capital Management Inc. an equity, fixed-income and balanced manager.

Its equity approach uses market timing and asset allocation consistent with primary market trend. Stock selection emphasizes consistent growth with accelerating earnings per share.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 55% stocks, 30% bonds and 15% cash.

There are three 401(k) clients.

Barry F. Ebert and Robert D. Markley are chief investment officers and client contacts.


**Denver Investment Advisors, Inc.**

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Vice President
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### Heilweil Hollander & Jacobs

*400 Perimeter Center Terraces, Suite 190, Atlanta, Ga. 30346; (404) 393-8725*

| | |
|---|---|
| Total assets managed | $98,000,000 |
| Tax-exempt assets managed | $22,000,000 |
| Tax-exempt clients | 52 |
| Types of accounts managed | CFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Heilweil Hollander & Jacobs Inc., an equity manager, takes a defensive value approach. It concentrates on capital preservation and capital appreciation. Investments are made when prospects for further price deterioration seem minimal and strong potential exists for significant appreciation over two to three years. Options are used.

The asset mix Jan. 1 was 76% stocks, 10% bonds and 14% cash.

Clients include Carriage Industries and the Livingston Foundation.

Marc S. Heilweil is chief investment officer. Jack Gray, portfolio manager, is client contact.

### Heitman Advisory Corp.

*180 N. LaSalle St., Chicago, Ill. 60601; (312) 855-5700*

| | |
|---|---|
| Total assets managed | $3,644,000,000 |
| Tax-exempt assets managed | $3,025,000,000 |
| Real estate assets managed | $3,025,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 98 |

Heitman Advisory Corp., a real estate manager, stresses selection and acquisition of existing, investment-quality, well-rented properties, including office buildings, shopping centers and industrial parks. This provides the potential for increased cash return on investments with limited risk. Property management and leasing is handled through an affiliate, Centre Properties.

All assets Jan. 1 were in equity real estate.

The parent company is Heitman Financial Ltd. Assets under management by the parent, subsidiaries and affiliates total $3.64 billion.

Clients include AT&T, NYNEX, Alaska Permanent Fund and Iowa Public Employees.

Norman Perlmutter, chairman-Heitman Financial, is chief investment officer. David M. Glickman, president-Heitman Advisory, is client contact.

### Hellman, Jordan Management Co.

*50 Milk St., Boston, Mass. 02109; (617) 482-1777*

| | |
|---|---|
| Total assets managed | $1,274,000,000 |
| Tax-exempt assets managed | $1,158,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Hellman, Jordan Management Co., an equity manager, seeks sectors exhibiting the highest rates of estimated earnings growth throughout a stock market and economic cycle with strong emphasis on market timing. Options and stock index futures are used.

All assets were in stocks Jan. 1.

The firm follows 50 to 75 stocks closely and 200, generally; 40% of the research is generated internally.

The parent company is United Asset Management Corp. Assets under management by the parent, subsidiaries and affiliates total $17.82 billion.

Clients include Xerox, Kimberly-Clark, Batus and Minnesota State.

Gerald R. Jordan Jr. is chief investment officer and client contact.

### Henderson International Inc.

*630 Fifth Ave., New York, N.Y. 10111; (212) 315-5660*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 55 |

Henderson International Inc. is an equity and international manager.

Its equity approach is active, stressing international growth stocks. Options and stock index futures are used.

It follows 500 stocks closely and 1,525, generally.

The parent company is Henderson Administration Group PLC. Assets under management by the parent, subsidiaries and affiliates total $10 billion.

Benjamin H.B. Wrey is chief investment officer. Geoff Owen is client contact.

### Hibernia National Bank

*P.O. Box 61540, New Orleans, La. 70161; (504) 586-5542*

| | |
|---|---|
| Total assets managed | $2,800,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,400,000,000 |
| Commingled | $230,000,000 |
| Separate | $2,170,000,000 |
| 401(k) and 457 assets managed | $63,000,000 |
| Tax-exempt clients: | |
| Commingled | 268 |
| Separate | 44 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 3 |

Hibernia National Bank is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks, sector rotation and market timing. Primary emphasis is placed on equity exposure and industry weighting as determined by the economic forecast.

Its fixed-income approach is based on inflation and interest rate forecasts. Credit analysis is used to minimize risk of quality deterioration and swaps are undertaken to improve yield without sacrificing quality and tradeability.

Options are used.

The asset mix Jan. 1 was 20% stocks, 72% bonds and 8% cash, loans and mortgages.

There were 15 401(k) and 457 plan clients.

The parent company is Hibernia Corp.

Clients include Amtrak, Fort Worth and Alton Ochsner Medical Foundation.

Robert L. Rust is chief investment officer. William J. Kearney III is client contact.

### Hickey Capital Management

*208 S. LaSalle St., Suite 1602, Chicago, Ill. 60604; (312) 899-0150*

| | |
|---|---|
| Total assets managed | $49,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |

Hickey Capital Management Inc., a fixed-income manager, holds U.S. government securities to earn interest income, using financial futures and options to apply hedging and arbitraging techniques to increase yields and protect assets.

The parent company is Hickey Financial Services. Assets under management by the parent, subsidiaries and affiliates total $66 million.

Robert M. Hickey and M. Joseph Hickey Jr. are chief investment officers. M. Joseph Hickey Jr. is also client contact.

### Hilliard Lyons Investment Management Group

*545 S. Third St., Louisville, Ky. 40202; (502) 588-8694*

| | |
|---|---|
| Total assets managed | $804,000,000 |
| Tax-exempt assets managed: | |
| Total | $250,000,000 |
| Separate | $250,000,000 |
| Tax-exempt clients | 70 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 1 |

Hilliard Lyons Investment Management Group is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis to concentrate on growth stocks. Emphasis is placed on internally generated research aimed at long-term opportunities. Low turnover is a characteristic of its primarily bottom-up methodology.

Its fixed-income approach emphasizes low interest rate and credit risk, aiming for positive return in all periods.

The asset mix Jan. 1 was 65% stocks, 25% bonds and 10% cash.

The parent company is J.J.B. Hilliard, W.L. Lyons Inc.

Clients include Figgie International and Union College.

Donald F. Kohler, executive vice president, is chief investment officer. Gordon L. Ragan, vice president, is client contact.


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## Hill Samuel/Investment Advisers Ltd.

*1100 Dain Tower, Minneapolis, Minn. 55402; (612) 371-2939*

| | |
|---|---|
| Total assets managed | $519,000,000 |
| Tax-exempt assets managed | $420,000,000 |
| International assets managed | $420,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 65 |

Hill Samuel/Investment Advisers Ltd., an international manager, takes a quantified value approach to equity and fixed-income investments in which all markets and securities are evaluated by one consistent method.

All assets were invested internationally Jan. 1, with 83% in stocks and 17% in bonds.

It follows 1,500 stocks closely and 150, generally; between 50% and 60% of research is generated internally.

The parent company is Hill Samuel Group PLC. Assets under management by the parent, subsidiaries and affiliates total $16 billion.

Clients include GM, Stanford University and United Presbyterian Church.

David Tilles is director and chief investment officer. I.P. "Kip" Knelman, director and executive vice president, is client contact.

## Hodges Capital Management

*755 West End Ave., New York, N.Y. 10025; (212) 866-5334*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $25,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CE |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Hodges Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is low p/e, seeking promising low-multiple stocks off the beaten paths.

Its fixed-income approach is passive, purchasing a sequence of short-term maturities. The ladder has ascending maturities out to three years.

The asset mix Jan. 1 was 80% stocks, 5% bonds and 15% cash.

Clients are Christian Church and Everest & Jennings International.

Fletcher Hodges III is chief investment officer and client contact.

## Hodgson Roberton Laing

*390 Bay St., Suite 1608, Toronto, Ontario M5H 2Y2; (416) 869-3320*

| | |
|---|---|
| Total assets managed | $1,019,000,000 |
| Tax-exempt assets managed: | |
| Total | $437,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CEF |
| Minimum separate account | $3,600,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Hodgson Roberton Laing Ltd. is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation in a modified top-down approach. Fundamental long-term investments are emphasized, with attention given to the business cycle.

Fixed income is managed according to the interest rate outlook. Issues are concentrated in short and long maturities with no extreme positions and avoiding excessive trading.

The asset mix Jan. 1 was 55% Canadian stocks, 35% bonds and 10% U.S. stocks.

It follows 50 stocks closely and 200, generally; 80% of research is generated internally.

J. Warren Laing, president, is chief investment officer. Terry C. Buddin, senior vice president, is client contact.

## Hoisington Investment Management Co.

*950 Echo Lane, Suite 210, Houston, Texas 77024; (713) 467-7900*

| | |
|---|---|
| Total assets managed | $540,000,000 |
| Tax-exempt assets managed | $540,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |

Hoisington Investment Management Co., a fixed-income manager, uses a risk-averse, market-timing approach. Very short maturities are used during periods of high risk, while 30-year maturities capitalize on low-risk periods.

The asset mix Jan. 1 was 100% cash. However, for the majority of the year, the asset mix was 100% U.S. Treasury bonds.

Clients include Fluor, Copperweld, TRW, Sara Lee and Unocal.

The chief investment officer is Van R. Hoisington, president. The client contact is Janice Teague Green, senior vice president.

## Home Life Insurance Co.

*253 Broadway, New York, N.Y. 10007; (212) 306-2400*

| | |
|---|---|
| Total assets managed | $3,065,000,000 |
| Tax-exempt assets managed: | |
| Total | $664,000,000 |
| Pooled accounts | $17,000,000 |
| GICs | $343,000,000 |
| Annuities | $8,000,000 |
| Other | $296,000,000 |
| Tax-exempt clients | 988 |
| Types of accounts managed | CEG |
| No. of portfolio managers | 3 |

Home Life Insurance Co. is an equity, fixed-income and balanced manager.

Its fixed-income approach uses a seven-year laddered portfolio with emphasis on preservation of principal. Equities are managed by First Manhattan Capital Corp.

Its real estate approach targets unleveraged positions in completed, fully leased industrial properties in selected locations in the $5 million to $15 million range.

The separate accounts asset mix Jan. 1 was 10% stocks and 90% bonds.

Assets under management by Home Life, its subsidiaries and affiliates total $3.2 billion.

Clients include Arco, GAF, Western Union and Grumman.

John A. Fabian, senior vice president, is chief investment officer. John F. Hannan, vice president, is client contact.

## Horgan Investment Counsel

*The Cadillac Fairview Tower, Suite 1904, 20 Queen St. W., P.O. Box 95, Toronto, Ontario M5H 3R3; (416) 979-1818*

| | |
|---|---|
| Total assets managed | $36,000,000 |
| Tax-exempt assets managed: | |
| Total | $10,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CU |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Horgan Investment Counsel Ltd., a Canadian firm, is an equity, fixed-income, balanced, small-cap Canadian and foreign equities manager.

Its equity approach is value oriented without a dogmatic adherence to any approach.

Its fixed-income approach uses interest rate anticipation, concentrating portfolios in the highest quality issues to permit rapid implementation of strategy changes.

The asset mix Jan. 1 was 59% stocks, 30% bonds, 1% cash and 10% in U.S. stocks.

Patrick S. Horgan, president, is chief investment officer. Mr. Horgan and Robert Tattersall, vice president, are client contacts.

## Hotchkis and Wiley

*800 W. Sixth St., Suite 540, Los Angeles, Calif. 90017; (213) 623-4073*

| | |
|---|---|
| Total assets managed | $2,500,000,000 |
| Tax-exempt assets managed | $2,500,000,000 |
| 401(k) assets managed | $10,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CEFG |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 3 |

Hotchkis and Wiley, an equity manager, uses Graham & Dodd analysis and emphasizing preservation of capital and the power of dividend return compounded.

The asset mix Jan. 1 was 96% stocks, 1% bonds, 2% cash and 1% mutual funds.

There is one 401(k) client.

It follows 250 stocks closely and 250, generally; 30% of the research is generated internally.

Clients include Rockwell, GTE, Oregon and Pacific Telesis.

John F. Hotchkis and George Wiley are chief investment officers. George Rebhan, director of marketing, is client contact.

## 25 largest managers of 401(k)/457 plan assets

| Managers | $ millions |
|---|---|
| Bankers Trust-Investment Management Group | 25,204 |
| Aetna Life Insurance | 4,664 |
| Prudential Asset Management Group | 3,000 |
| State Street Bank and Trust | 2,716 |
| Provident National Assurance | 2,010 |
| Fidelity Management & Research | 2,000 |
| PRIMCO Capital Management | 1,900 |
| Nationwide Insurance | 1,762 |
| CIGNA Asset Advisers | 1,500 |
| Connecticut Mutual Life Insurance | 1,000 |
| MONY Financial Services | 1,000 |
| The Principal | 965 |
| Norwest Capital Resources | 700 |
| Mass Mutual Life Insurance | 630 |
| Wells Fargo Investment Advisors | 577 |
| Citicorp Investment Management | 561 |
| BancOklahoma Trust | 507 |
| Chase Investors Management | 503 |
| Morley Capital Management | 438 |
| First Wachovia | 400 |
| Investors Research | 400 |
| AmeriTrust | 393 |
| Centerre Trust | 350 |
| T. Rowe Price Associates | 345 |
| IDS Trust | 265 |
| **Total** | **53,790** |

## HT Investors Inc.

*321 S. Main St., Providence, R.I. 02903; (401) 276-6100*

| | |
|---|---|
| Total assets managed | $1,027,000,000 |
| Tax-exempt assets managed | $1,027,000,000 |
| 401(k) assets managed | $12,000,000 |
| Real estate assets managed | $11,000,000 |
| International assets managed | $8,000,000 |
| Tax-exempt clients | 106 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

HT Investors Inc. is an equity, fixed-income, balanced, real estate, international and GIC manager.

Its equity approach emphasizes relative valuation, primarily through growth/growth cyclical companies. It is a relative value asset allocator with six- to 12-month investment horizons.

Its fixed-income approach is driven by interest rate anticipation and is often geared to managing short- and intermediate-term securities with a willingness for cash equivalents.

Options are used.

In real estate, it emphasizes substantially rented, high-quality, recently constructed commercial and industrial properties in the Northeast and Midwest with a long-term minimum return potential of 15%.

The asset mix Jan. 1 was 48% stocks, 27% bonds, 24% cash and 1% equity real estate; $7.2 million was in foreign stocks and $380,000 in foreign cash.

There is one 401(k) client.

The parent company is RIHT Financial Corp., a subsidiary of Bank of Boston.

Henry M. Greenleaf Jr., president, is chief investment officer. J. Richard Schroder, vice president-director of marketing/sales, is client contact.

## Hughes, King & Co. Ltd.

*150 York St., Suite 1808, Toronto, Ontario M5H 3S5; (416) 863-0687*

| | |
|---|---|
| Total assets managed | $102,000,000 |
| Tax-exempt assets managed: | |
| Total | $70,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CEF |
| Minimum separate account | $185,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Hughes, King & Co. Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its top-down equity approach uses Graham & Dodd analysis to find emerging growth and growth stocks. It tries to take advantage of major market swings.

Its fixed-income approach assesses interest rate outlook and other fundamental and technical factors. The firm maximizes return by adjusting average terms of portfolios.

The asset mix Jan. 1 was 30% Canadian stocks, 45% bonds, 12% cash and 13% U.S. stocks.

C. Wallis King, president, is chief investment officer. Geoffrey C. Noble and Ronald S. Stuart, executive vice presidents, are client contacts.

## Huntington Asset Management Co.

*41 S. High St., Columbus, Ohio 43215; (614) 463-4569*

| | |
|---|---|
| Total assets managed | $1,555,000,000 |
| Tax-exempt assets managed: | |
| Total | $618,000,000 |
| Commingled | $137,000,000 |
| Separate | $481,000,000 |
| 401(k) and 457 assets managed | $12,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |

Huntington Asset Management Co. is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach uses a monthly, computer-based screening of 1,200 medium- to large-capitalization companies on a qualitative, fundamental and quantitative basis to develop 40 stocks for investment.

Its fixed-income approach is governed by economic and capital market expectations for an 18- to 24-month period, tied to application of key determinants of policy, to create a value-oriented total return strategy emphasizing active management.

The asset mix Jan. 1 was 57% stocks, 38% bonds and 5% cash.

There are 125 401(k) and 457 plan clients.

Clients include IBEW, R.D. Werner, Greer Steel and Ohio State University.

Douglas V. Epp, president, is chief investment officer and client contact.

## Hutchinson National Bank and Trust Co.

*P.O. Box 1488, Hutchinson, Kan. 67504-1488; (316) 662-0561*

| | |
|---|---|
| Total assets managed | $288,000,000 |
| Tax-exempt assets managed: | |
| Total | $71,000,000 |
| Commingled | $16,000,000 |
| Separate | $55,000,000 |
| Real estate assets managed | $10,000,000 |
| Mortgage-backed assets managed | $1,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 182 |
| Separate | 91 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Hutchinson National Bank and Trust Co. is an equity, fixed-income, balanced and option funds manager.

Its equity approach combines market and business cycle timing in a top-down approach used with industry segment rotation.

Its fixed-income approach emphasizes marketability; interest rate anticipation is the catalyst to buys and sells.

Options, stocks index futures and fixed-income futures are used.

The asset mix Jan. 1 was 55% stocks, 34% bonds, 1% cash, 5% equity real estate, 1% mortgages, 0.5% mortgage-backed securities and 3.5% limited partnerships; $1 million was in foreign stocks.

Dale E. Page, vice president-investments, is chief investment officer and client contact.

## Hutton Government Securities Management

*71 Broadway, New York, N.Y. 10004; (202) 785-2077*

| | |
|---|---|
| Total assets managed | $210,000,000 |
| Tax-exempt assets managed | $175,000,000 |
| 401(k) assets managed | $10,000,000 |
| Tax-exempt clients | 95 |
| Types of accounts managed | CFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Hutton Government Securities Management, a fixed-income manager, monitors fundamental economic factors to determine average portfolio maturity.

All tax-exempt assets under management as of Jan. 1 were in bonds.

There are four 401(k) clients.

Three-fourths of the research is generated internally.

The parent company is EF Hutton and Co. Inc. Assets under management by the parent, subsidiaries and affiliates total $250 million.

Robert L. Olcott, national product manager, is client contact.

## Idaho First National Bank

*P.O. Box 7928, Boise, Idaho 83707; (208) 383-7252*

| | |
|---|---|
| Total assets managed | $800,000,000 |
| Tax-exempt assets managed: | |
| Total | $300,000,000 |
| Commingled | $20,000,000 |
| Separate | $280,000,000 |
| 401(k) and 457 assets managed | $20,000,000 |
| Real estate assets managed | $25,000,000 |
| Mortgage-backed assets managed | $9,000,000 |
| Tax-exempt clients: | |
| Commingled | 220 |
| Separate | 20 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Idaho First National Bank is an equity, fixed-income, balanced and real estate manager.

Its equity approach uses a value orientation toward stock selection that originates with a top-down economic overview. It prefers companies with low financial leverage, expanding earnings, below-market p/e and low price/book.

Its fixed-income approach uses interest rate trends and forecasts generated from a fundamental view to set portfolio durations. Sector analysis is used to identify vehicles and add incremental returns.

Options are used.

For real estate, it purchases open-end pooled funds based on client specification.

The asset mix Jan. 1 was 35% stocks, 53% bonds, 1% cash, 4% equity real estate, 4% mortgages and 3% mortgage-backed securities.

There are 30 401(k) and 457 plan clients.

The parent company is Moore Financial Group Inc.

Rudy Thomas, vice president and manager-investments, is chief investment officer. John Hart, assistant vice

president and manager-employee benefit investments, is client contact.

### IDS Equity/Fixed-Income Advisors

*3100 IDS Tower, Minneapolis, Minn. 55474; (612) 372-3555*

| | |
|---|---|
| Total assets managed | $3,210,000,000 |
| Tax-exempt assets managed | $3,210,000,000 |
| 401(k) assets managed | $141,000,000 |
| Mortgage-backed assets managed | $16,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |

IDS Equity/Fixed-Income Advisors is an equity, fixed-income and balanced manager.

Its equity approach uses a top-down, sector rotational approach to large-capitalization, blue chip stocks.

Its fixed-income approach uses interest rate anticipation and sector analysis. It is a top-down (economic overview) active approach.

The asset mix Jan. 1 was 82% stocks, 16% bonds and 2% cash.

There are four 401(k) clients.

Stock index futures are used.

The parent company is IDS Financial Services Inc., a unit of American Express Co. Total assets under management by the parent, subsidiaries and affiliates are $140.02 billion.

Clients include Screen Actors Guild Producer Pension Plan, State of Virginia Supplemental System, California Institute of Technology and Pacific Telesis.

Peter J. Anderson, president, is chief investment officer. Diane K. Vener, vice president-marketing, is client contact.

### IDS Financial Services (Equity Management Service)

*IDS Tower, Minneapolis, Minn. 55474; (612) 372-3131*

| | |
|---|---|
| Total assets managed | $31,000,000 |
| Tax-exempt assets managed | $800,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CF |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 30 |

IDS Financial Services (Equity Management Service), an equity and balanced manager, emphasizes stock selection.

The asset mix Jan. 1 was 80% stocks and 20% cash.

The parent company is American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

Clients include Floyd Valley, Wesley Foundation and Databridge.

William Dudley, senior vice president-investment operations, is chief investment officer.

### IDS Growth Spectrum Advisors Inc.

*3100 IDS Tower, Minneapolis, Minn. 55474; (612) 372-3555*

| | |
|---|---|
| Total assets managed | $182,000,000 |
| Tax-exempt assets managed | $182,000,000 |
| 401(k) assets managed | $11,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |

IDS Growth Spectrum Advisors Inc is an equity manager emphasizing core growth and emerging growth stocks, and using a top-down and bottom-up approach.

The asset mix Jan. 1 was 90% stocks and 10% cash.

There were two 401(k) clients.

The parent company is IDS Financial Services Inc., a unit of American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140 billion.

Edward Hartmann, president, is chief investment officer. Diane K. Vener, vice president-marketing, is client contact.

### IDS International Inc.

*3100 IDS Tower, Minneapolis, Minn. 55474; (612) 372-3335*

| | |
|---|---|
| Total assets managed | $871,000,000 |
| Tax-exempt assets managed | $387,000,000 |
| International assets managed | $370,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CFG |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 4 |

IDS International Inc. is an international manager.

Its investment approach is top-down and bottom-up. Assets are allocated among stocks, bonds and cash; currency views are taken and countries are distributed into economic categories and weighted according to a macroeconomic, geopolitical overview.

The asset mix Jan. 1 was 95% stocks and 5% cash.

There was $350 million in foreign stocks, $20 million in foreign cash and $17 million in U.S. stocks.

The parent company is IDS Financial Services Inc., a unit of American Express Co. Total assets under management by the parent, subsidiaries and affiliates are $140.02 billion.

Clients include Honeywell, Southwestern Bell, Arthur Andersen and Ameritech.

Peter Lamaison, president, is chief investment officer. Diane K. Vener, vice president, is client contact.

### IDS Trust

*P.O. Box 1317, Minneapolis, Minn. 55440; (612) 372-2107*

| | |
|---|---|
| Total assets managed | $674,000,000 |
| Tax-exempt assets managed: | |
| Total | $674,000,000 |
| Commingled | $501,000,000 |
| Separate | $173,000,000 |
| 401(k) and 457 assets managed | $265,000,000 |
| International assets managed | $58,000,000 |
| Tax-exempt clients: | |
| Commingled | 155 |
| Separate | 8 |
| Types of accounts managed | CG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 8 |

IDS Trust, a division of Advisory Bank & Trust Co., is an equity, fixed-income, balanced, international and GIC manager.

Its equity approach is active, top-down and sector rotational. It strives to identify sectors of the market that will benefit most from the forecast economic and political environments.

Its fixed-income approach is top-down and sector rotational.

The asset mix Jan. 1 was 28% stocks, 21% bonds, 5% cash and 46% managed GICs. It managed $58 million in foreign stocks.

There were 82 401(k) and 457 plan clients.

The parent company is IDS Financial Services Inc., a unit of American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

Bill Dudley is chief investment officer. Lisa M. Holland, new client acquisition manager, is client contact.

### The Illinois Co. Inc.

*30 N. LaSalle St., Chicago, Ill. 60606; (312) 444-2100*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Mortgage-backed assets managed | $20,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

The Illinois Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis and market timing.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 20% stocks, 40% bonds, 20% cash and 20% mortgage-backed securities.

Options are used.

The parent company is Land of Lincoln Savings & Loan. Total assets under management by the parent company, subsidiaries and affiliates are $350 million.

Paul H. Fricke, vice president, is chief investment officer and client contact.

### IMPCO Investment Management Ltd.

*330 Bay St., Suite 211, Toronto, Ontario M5H 2S8; (416) 869-1948*

| | |
|---|---|
| Total assets managed | $440,000,000 |
| Tax-exempt assets managed: | |
| Total | $440,000,000 |
| For subsidiaries of U.S. firms | $29,000,000 |
| Real estate assets managed | $20,000,000 |
| Tax-exempt clients: | |
| Total | 23 |
| U.S. subsidiaries | 5 |
| Types of accounts managed | CU |


Lomas & Nettleton

Institutional Mortgage Fund II, Ltd.

closed its offering March 9, 1987,

with capital contributions

of $30,000,000.

L&N Partners II, Inc.,

a wholly owned subsidiary of

The Lomas & Nettleton Company,

is General Partner to the Fund.

Merrill Lynch Capital Markets

served as exclusive placement agent.

LN

The Lomas & Nettleton Financial Group

2001 Bryan Tower, Dallas, Texas 75201 (214) 746-7111

*This announcement appears as a matter of record only.*

| | |
|---|---|
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |

IMPCO Investment Management Ltd., a Canadian firm, is an equity, fixed-income, balanced and money market (short-term) manager.

The equity approach emphasizes a top-down/fundamentalist style, seeking value and using sector rotation to add incrementally to total returns.

Its fixed-income approach is top-down, based on fundamental analysis leading to an interest rate forecast. Managers use sector spread trades and trade against yield curve anomalies.

The asset mix Jan. 1 was 28.4% Canadian stocks, 41.7% bonds, 16.3% cash, 4.5% mortgages and 9.1% U.S. stocks.

The parent company is Imperial Life Assurance Co. of Canada. Assets under management by the parent and all subsidiaries and affiliates total $4.2 billion.

Peter M. Walter, president, is chief investment officer. Ian W. Sinclair, vice president, is client contact.

## Independence Investment Associates Inc.

*1 Liberty Square, Boston, Mass. 02109; (617) 292-8700*

| | |
|---|---|
| Total assets managed | $2,836,000,000 |
| Tax-exempt assets managed | $2,323,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 11 |

Independence Investment Associates Inc. is an equity, fixed-income and balanced manager.

It takes an active quantitative approach to equities, combining fundamental research with investment technology in aggressive issue selection.

For fixed income, its managers forecast interest rate levels and trends, carefully manage portfolio risk and take a systematic approach to decision-making.

The asset mix Jan. 1 was 64% stocks, 21% bonds and 15% cash.

It follows 380 stocks closely and 3,000, generally; 80% of research is generated internally.

The parent company is John Hancock Financial Services. Assets under management by the parent, subsidiaries and affiliates total $40.72 billion.

Clients include American Airlines, Frank Russell Trust, Duke Endowment and Denver Employees.

William C. Fletcher, executive vice president, is chief investment officer. Vincent B. Burns, senior vice president, is client contact.

## Indiana Investment Advisors

*1 Indiana Square, Suite 101, Indianapolis, Ind. 46266; (317) 266-6270*

| | |
|---|---|
| Total assets managed | $3,124,000,000 |
| Tax-exempt assets managed | |
| Total | $3,124,000,000 |
| Commingled | $50,000,000 |
| Separate | $3,074,000,000 |
| 401(k) and 457 assets managed | $25,000,000 |
| Tax-exempt clients: | |
| Commingled | 276 |
| Separate | 421 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 2 |

Indiana Investment Advisors is an equity, fixed-income and balanced manager.

Its equity approach is to invest with an emphasis on earnings growth and consistency in growth. Additional screening factors include valuation, financial strength and market capitalization.

*P. Roger Kumler*
*Indiana Investment Advisors*

Its fixed-income approach concentrates on risk-reward, maturity and sector judgments.

The asset mix Jan. 1 was 11% stocks, 81% bonds, 6% cash and 2% miscellaneous; $4 million was in dedicated or immunized bond portfolios.

There are 28 401(k) and 457 plan clients.

The parent company is The Indiana National Bank. Assets under management by the parent, subsidiaries and affiliates total $4.82 billion.

Clients include Indiana State Teachers, Ameritech and Indianapolis Power & Light.

P. Roger Kumler is chief investment officer. Sally J. Phillips is client contact.

## India Wharf Associates Inc.

*7 Liberty Square, Boston, Mass. 02109; (617) 720-4220*

| | |
|---|---|
| Total assets managed | $47,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| No. of portfolio managers | 2 |

India Wharf Associates Inc. is an equity and balanced manager.

Its equity approach uses Graham & Dodd analysis with growth, emerging growth and low p/e stocks and market timing.

It is fully invested if strategic and tactical conditions are positive.

The asset mix Jan. 1 was 85% stocks, 10% bonds and 5% cash.

It follows 130 stocks closely and 1,700 generally.

J. Stewart Harvey Jr., managing director, is chief investment officer. William S. Stout is client contact.

## Wm. A. Inskeep & Co.

*12934 Kenwood Lane S.W., Suite 21, Fort Myers, Fla. 33907; (813) 939-5161*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $8,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CE |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 1 |

Wm. A. Inskeep & Co. is an equity, fixed-income and balanced manager.

Its equity approach includes growth stock and Graham & Dodd principles. Its fundamentalist approach seeks issues with strong long-term potential. Market timing is used.

Its fixed-income strategy is risk-averse, using only high-quality, short- to intermediate-term issues (one to eight years).

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Eighty stocks are followed closely and 250, generally; 25% of research is generated internally.

William A. Inskeep, president, is chief investment officer and client contact.

## Institutional Capital Corp.

*230 W. Monroe St., Suite 2930, Chicago, Ill. 60606; (312) 641-7200*

| | |
|---|---|
| Total assets managed | $1,009,000,000 |
| Tax-exempt assets managed | $1,009,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 6 |

Institutional Capital Corp. is an equity, balanced and options manager.

Its equity approach emphasizes sector rotation and market timing; its fixed-income approach, interest rate anticipation.

The asset mix Jan. 1 was 90% stocks and 10% cash.

One hundred fifty stocks are followed closely and 500, generally; 75% of research is generated internally.

Clients include Jewel, Quaker Oats, Caterpillar Tractor and Litton.

William A. Maloney, president, is chief investment officer. Russell C. Walter, executive vice president, is client contact.

## Institutional Portfolio Services Ltd.

*1 First National Plaza, Suite 2594, Chicago, Ill. 60603; (312) 236-5388*

| | |
|---|---|
| Total assets managed | $85,000,000 |
| Tax-exempt assets managed | $65,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Institutional Portfolio Services Ltd. is an equity, fixed-income and balanced manager.

Its equity approach is eclectic, keeping in mind the three- to four-year economic and political cycle, and emphasizing industry concentration. Among the approaches used are Graham & Dodd analysis, low p/e stocks and sector rotation. For market timing, covered options are sold. Stock index futures are used.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

There are three 401(k) clients.

B.P. Pai, president, is chief investment officer. Denise M. Iwaniec, executive assistant, is client contact.

## Integrated Resources Asset Management Corp.

*666 Third Ave., New York, N.Y. 10017; (212) 551-6700*

| | |
|---|---|
| Total assets managed | $1,265,000,000 |
| Tax-exempt assets managed | $300,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Integrated Resources Asset Management Corp. is an equity and balanced manager.

Its equity approach emphasizes Graham & Dodd analysis. Timely themes are superimposed on the securities of unusual value with kickers, specific to the company. Diversification is achieved by limiting exposure to one theme and one company.

The parent company is Integrated Resources Inc. Total assets under management by the parent company, subsidiaries and affiliates exceed $12 billion.

Harvey P. Eisen, president, is chief investment officer. Jonathan A. Noonan, area vice president and director of institutional marketing, is client contact.

*David E. Hoener*
*InterFirst Investment*

## InterFirst Investment Management Inc.

*P.O. Box 83794, Dallas, Texas 75283; (214) 977-4652*

| | |
|---|---|
| Total assets managed | $6,078,000,000 |
| Tax-exempt assets managed | |
| Total | $1,908,000,000 |
| Commingled | $370,000,000 |
| Separate | $1,538,000,000 |
| 401(k) and 457 assets managed | $172,000,000 |
| Real estate assets managed | $199,000,000 |
| Tax-exempt clients | |
| Commingled | 6 |
| Separate | 40 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 4 |

InterFirst Investment Management Inc. is an equity, fixed-income, balanced, real estate and oil and gas manager.

Its equity approach is growth stock selection with valuation disciplines.

Its fixed-income approach stresses active management of intermediate bonds.

In real estate investing, it purchases income-producing properties in the Southwest.

Its asset mix Jan. 1 was 50% stocks, 30% bonds, 10% cash and 10% equity real estate; $189 million was in equity real estate and $10 million in mortgages.

There are 16 401(k) and 457 plan clients.

The parent company is InterFirst Corp. Assets under management by the parent, subsidiaries and affiliates total $10.28 billion.

Clients include Southwestern Bell, Texas Utilities, Halliburton and Dallas.

David E. Hoener, president, is chief investment officer. Daryl W. Hendrix, vice president, is client contact.

## Interinvest Corp.

*294 Washington St., Suite 754, Boston, Mass. 02108; (617) 423-1166*

| | |
|---|---|
| Total assets managed | $49,000,000 |
| Tax-exempt assets managed | $26,000,000 |
| 401(k) assets managed | $10,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 5 |

Intervest Corp. is an equity, fixed-income and international manager.

Managers determine market timing, country allocation and sector allocations for equities using a global top-down geopolitical, geoeconomic approach.

Individual selections are made using Graham & Dodd value analysis.

Its fixed-income approach is based on global interest rate assessments.

Options and stock index futures are used.

The asset mix Jan. 1 was 90% stocks, 5% bonds and 5% cash; there was $8 million in foreign stocks and $2 million in foreign cash.

There were seven 401(k) clients.

It is affiliated with HB Investment & Finanz AG, Zurich, Switzerland. Assets under management by the parent company, subsidiaries and affiliates total $600 million.

Hans Black, president, is chief investment officer. Stanley T. Schmidt, vice president, is client contact.

## Interstate Asset Management Inc.

*2600 NCNB Plaza, Charlotte, N.C. 28280; (704) 379-9097*

| | |
|---|---|
| Total assets managed | $75,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| 401(k) assets managed | $5,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Interstate Asset Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes high-quality, fundamentally strong companies using Graham & Dodd analysis. It focuses on growth stock, sector rotation and market timing.

The fixed-income approach uses interest rate anticipation, sector analysis and duration-based risk management.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash; there was $1 million in foreign stocks.

There are five 401(k) clients.

The parent company is Interstate Securities Inc. Total assets under management by the parent, subsidiaries and affiliates is $226 million.

Donald J. Toney, managing director, is chief investment officer. James T. Moorhead, president, is client contact.

## Inverness Counsel Inc.

*545 Madison Ave., New York, N.Y. 10022; (212) 980-5230*

| | |
|---|---|
| Total assets managed | $600,000,000 |
| Tax-exempt assets managed | $252,000,000 |
| 401(k) assets managed | $3,000,000 |
| Mortgage-backed assets managed | $3,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 1 |

Inverness Counsel Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis with low p/e stocks, market timing and quantitative methods. Its qualitative, top-down economic analysis drives its quantitative, cross-correlated MPT/fundamental screens that develop the stock universe and industry weightings.

Its fixed-income approach emphasizes spaced maturities, focusing on the yield curve inflation point.

The asset mix Jan. 1 was 32% stocks, 54% bonds, 13% cash and 1% mortgage-backed securities.

There were seven 401(k) clients.

George H. Garfield, president, and Adams C. McHenry Jr., vice president, are client contacts.


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### INVESCO Capital Management

*1315 Peachtree St., Suite 300, Atlanta, Ga. 30309; (404) 892-0875*

| | |
|---|---|
| Total assets managed | $10,091,000,000 |
| Tax-exempt assets managed | $9,991,000,000 |
| Tax-exempt clients | 102 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 11 |

INVESCO Capital Management is an equity, fixed-income, balanced, international, GIC and global manager.

Its equity approach combines sector rotation and Graham & Dodd analysis. The primary emphasis is on issue selection.

Its fixed-income approach is active, based on credit and sector analysis strategies and research.

Options and stock index futures are used.

The asset mix Jan. 1 was 61% stock, 30% bonds and 9% cash.

One hundred stocks are followed closely and 800, generally; 70% of research is generated internally.

Clients include GM, Boeing, NCR, Texaco and Sperry.

Wendell M. Starke, president, is chief investment officer. Willis M. Everett, principal, is client contact.

*Noel P. Rahn*
*Investment Advisers*

### Investment Advisers Inc.

*1110 Dain Tower, P.O. Box 357, Minneapolis, Minn. 55440; (612) 371-2939*

| | |
|---|---|
| Total assets managed | $5,500,000,000 |
| Tax-exempt assets managed | $4,000,000,000 |
| Tax-exempt clients | 144 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 2 |

Investment Advisers Inc. is an equity, fixed-income, balanced, international and venture capital manager.

Its equity approach is based on sector rotation, moving into investment themes that are secular or cyclical in nature.

Its fixed-income approach emphasizes active duration management, using a cyclical approach. Credit cycle analysis drives maturity and duration. Another approach emphasizes duration matching to either a predetermined index or the duration of the liabilities.

The asset mix Jan. 1 was 50% stocks and 50% bonds.

One hundred fifty stocks are followed closely and 1,500, generally; 35% of research is generated internally.

The parent company is Hill Samuel Group PLC. Assets under management by the parent, subsidiaries and affiliates total $16 billion.

Clients include 3M, Newmont Mining, New Hampshire Retirement System and New York City District Council of Carpenters.

Noel P. Rahn, chief executive officer, is chief investment officer. I.P. "Kip" Kneiman, executive vice president and director, is client contact.

### Investment Advisors Inc.

*1100 Louisiana, Suite 2600, Houston, Texas 77002; (713) 659-2611*

| | |
|---|---|
| Total assets managed | $517,000,000 |
| Tax-exempt assets managed | $381,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |

Investment Advisors Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stock and sector rotation. Top-down analysis is used to identify the most attractive sectors and industries. Its disciplined approach dictates buy/sell parameters and leads to conservative growth-oriented portfolios.

Its fixed-income approach uses interest rate anticipation, sector analysis and duration management based upon yield curve and macroeconomic analysis. Portfolios are restricted to investment-grade securities.

The asset mix Jan. 1 was 60% stocks, 38% bonds and 2% cash.

Fifty stocks are followed closely and 1,000, generally; half of the research is generated internally.

Clients include Shreveport, La.; San Jose, Calif.; and Metromedia.

Marvin H. McMurrey, president, is chief investment officer. William L. Price, vice president, is client contact.

### Investment Counselors of Maryland Inc.

*803 Cathedral St., Baltimore, Md. 21201; (301) 539-3838*

| | |
|---|---|
| Total assets managed | $2,017,000,000 |
| Tax-exempt assets managed | $1,527,000,000 |
| Tax-exempt clients | 109 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Investment Counselors of Maryland Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes low p/e stocks and Graham & Dodd analysis.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 40% stocks, 46% bonds and 14% cash.

It follows 60 stocks closely and 150, generally; 65% of the research is generated internally.

The parent company is United Asset Management. Assets under management by the parent, subsidiaries and affiliates total $17.82 billion.

Clients include AT&T, Maryland, Cincinnati and Hammermill Paper.

Craig Lewis is chief investment officer. Robert B. Russell is client contact.

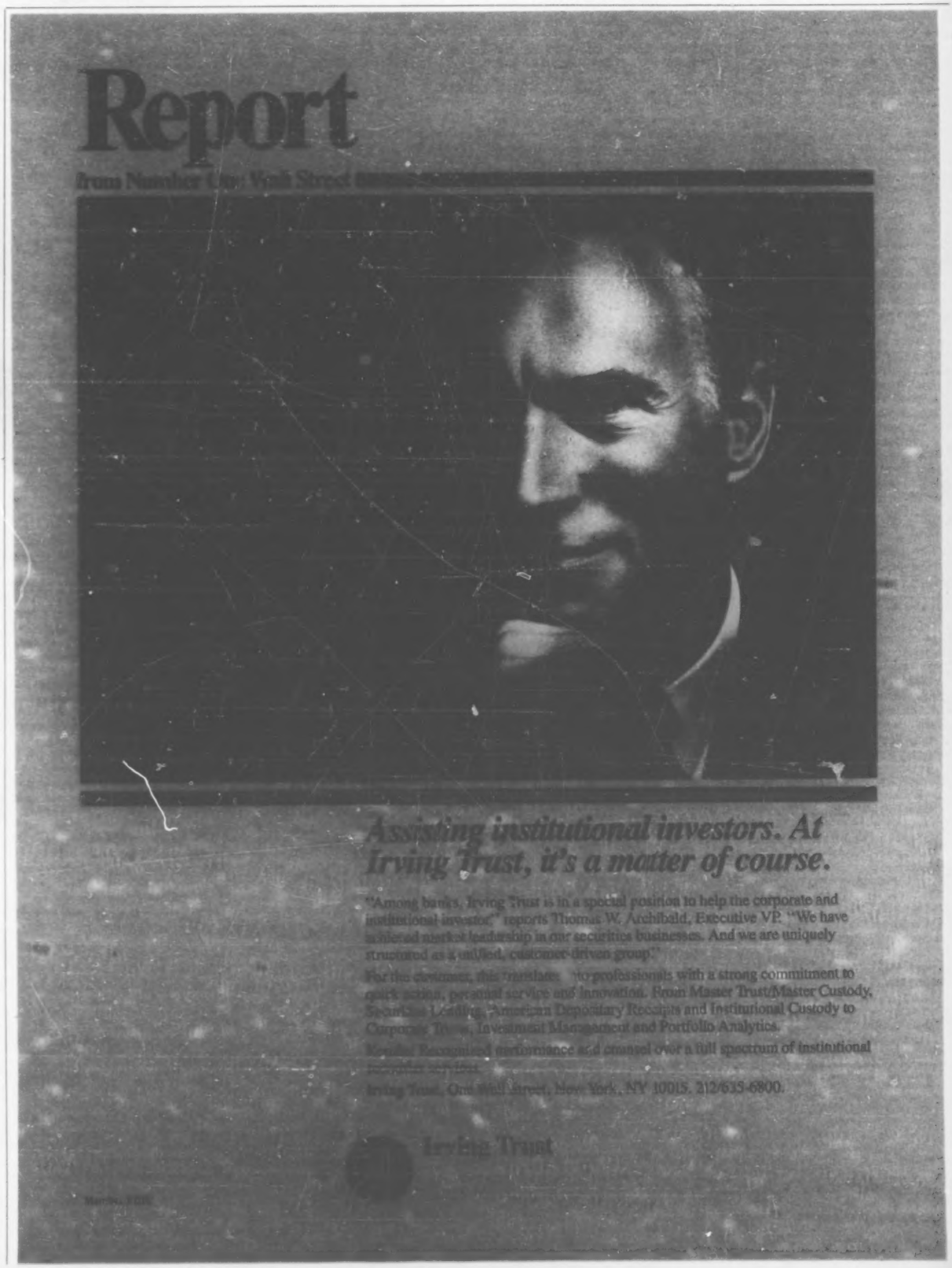
### Investment and Capital Management Corp.

*1701 Golf Road, 2 Continental Towers, Suite 504, Rolling Meadows, Ill. 60008; (312) 439-8500*

| | |
|---|---|
| Total assets managed | $1,388,000,000 |
| Tax-exempt assets managed | $941,000,000 |
| 401(k) assets managed | $11,000,000 |
| Tax-exempt clients | 103 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |

Investment and Capital Management Corp. is an equity, fixed-income, and balanced manager.

Its equity approach combines emerging growth, sector rotation and market timing, focusing first on asset allocation and then on industry and se-

curity selection.

Its fixed-income approach uses proprietary interest rate forecasting models to guide duration analysis decisions. Arbitrage is done when opportunities are presented.

Options are used.

The asset mix Jan. 1 was 49% stocks, 44% bonds and 7% cash; there was $5 million in dedicated or immunized bond portfolios.

There are four 401(k) clients.

The parent company is Chemical New York Corp. Assets under management by the parent, subsidiaries and affiliates total $16 billion.

Franklin Ayres, chairman-investment policy committee, is chief investment officer. Marisa Newman, marketing coordinator, is client contact.

### The Investment Counsel Co.

*56 E. Pine St., Orlando, Fla. 32801; (305) 841-6241*

| | |
|---|---|
| Total assets managed | $471,000,000 |
| Tax-exempt assets managed | $455,000,000 |
| 401(k) assets managed | $12,000,000 |
| Real estate assets managed | $34,000,000 |
| Tax-exempt clients | 88 |
| Types of accounts managed | CEJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

The Investment Counsel Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach is low p/e, basing the majority of the portfolio in large companies. A portion of the portfolio is in smaller companies exhibiting financial strength.

Its fixed-income approach is risk-averse and highly disciplined. Managers actively adjust maturities in anticipation of rate movements, holding only high-quality issues and laddering maturities to limit reinvestment risk.

The asset mix Jan. 1 was 19% stocks, 64% bonds, 10% cash and 7% equity real estate; there was $34 million in equity real estate.

There are six 401(k) clients.

Clients include Lamson & Sessions, Miami Beach and the American Petroleum Institute.

Fred Shockley is the chief investment officer. Grant McMurry, vice president, is client contact.

### Investment Management Inc.

*2700 E. 51st St., Suite 340, Tulsa, Okla. 74105; (918) 742-3031*

| | |
|---|---|
| Total assets managed | $34,000,000 |
| Tax-exempt assets managed | $9,000,000 |
| 401(k) assets managed | $600,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | C |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Investment Management Inc. is an equity, fixed-income, balanced and mutual funds manager.

Its equity approach is based on sector rotation and market timing; its fixed-income approach, on interest rate anticipation.

The asset mix Jan. 1 was 6% stocks and 94% cash.

There were two 401(k) clients.

The parent company is Rubottom, Dudash and Associates Inc. Assets under management by the parent, subsidiaries and affiliates total $90 million.

Donald J. Rubottom is chief investment officer. Philip W. Wood is client contact.

### Investors Asset Management Inc.

*2309-A Coit Road, Plano, Texas 75075; (214) 985-7162*

| | |
|---|---|
| Total assets managed | $8,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| 401(k) assets managed | $120,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | C |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 1 |

Investors Asset Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is based on growth and low p/e stock and sector rotation; its fixed-income approach, on interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 55% stocks, 16% bonds and 29% cash.

There are six 401(k) clients.

Clients include Amar Medical and Rawe-Mills & Associates.

Richard C. Erwin, president, is chief investment officer and client contact.

### Investors Group Trust Co.

*280 Broadway, Winnipeg, Manitoba R3C 3B6; (204) 949-8488*

| | |
|---|---|
| Total assets managed | $222,000,000 |
| Tax-exempt assets managed | $222,000,000 |
| Real estate assets managed | $94,000,000 |
| Tax-exempt clients | 1,204 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $3,600,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 4 |

Investors Group Trust Co. Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using sector rotation and market timing. It maximizes capital appreciation potential without assuming undue risk. A conservative stock selection process is employed emphasizing industry sector rotation and liquidity factors.

Its fixed-income approach uses interst rate anticipation and sector analysis. It blends an actively traded high-quality bond portfolio with mortgages altering the ratio depending upon interst rate spreads and the state of economic cycle.

The asset mix Jan. 1 was 22% Canadian stocks, 19% bonds, 43% mortgages, 14% cash and 2% U.S. stocks. There was $94 million in mortgages.

The parent company is The Investors Group. Total assets under management by the parent company, subsidiaries and affiliates are $4.35 billion.

R.E. Archer, senior vice president-investments at The Investors Group, is chief investment officer. C.F. Schmidt, vice president at Investors Group Trust Co. Ltd., is client contact.

### Investors Management Services Inc.

*P.O. Box 3700, Birmingham, Mich. 48012; (313) 642-1020*

| | |
|---|---|
| Total assets managed | $180,000,000 |
| Tax-exempt assets managed | $90,000,000 |
| International assets managed | $5,000,000 |
| Tax-exempt clients | 70 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

Investors Management Services Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks, combining sector rotation and market timing to capitalize on inefficiencies in the market.

Its fixed-income approach uses sector analysis, attempting to maximize returns by shortening or lengthening maturities based on interest rate forecasts.

The asset mix Jan. 1 was 60% stocks, 25% bonds and 15% cash; $5 million was in foreign stocks.

Richard H. Wiggins is chief investment officer. Gerald DeHondt, vice president, is client contact.

### Investors Research Corp.

*10 Gould Tower, Suite 408, Rolling Meadows, Ill. 60008; (312) 640-1511*

| | |
|---|---|
| Total assets managed | $4,426,000,000 |
| Tax-exempt assets managed | $904,000,000 |
| 401(k) assets managed | $400,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 5 |

Investors Research Corp., an equity manager, emphasizes growth and emerging growth stocks, employing a bottom-up approach that uses a 7,000-issue data base. It follows a rigid sell discipline and remains fully invested.

All assets were in stocks Jan. 1.

There are 30 401(k) clients.

It follows 400 stocks closely and 7,000, generally; 85% of research is generated internally.

Clients include Wisconsin Electric, International Paper, Missouri State Employees and Ingersoll-Rand.

James Stowers Jr., president, is chief investment officer. Stephen M. Barney and John F. Rogers, vice presidents-investments, are client contacts.

### 25 largest dedicated/immunized managers

| Managers | $ millions |
|---|---|
| J.P. Morgan Investment Management | 6,288 |
| Prudential Asset Management Group | 4,756 |
| National Investment Services of America | 4,500 |
| Bankers Trust-Investment Management Group | 3,000 |
| Putnam Cos. | 2,134 |
| Chase Investors Management | 1,500 |
| Lincoln Capital Management | 1,200 |
| Mellon Bond Associates | 951 |
| Manufacturers Hanover Investment | 853 |
| Phoenix Mutual Life Insurance | 710 |
| McGlinn Capital Management | 600 |
| Stein Roe & Farnham | 550 |
| Mississippi Valley Advisors | 535 |
| State Street Research & Management | 530 |
| Irving Trust | 522 |
| First Wisconsin Trust | 515 |
| Harris Trust & Savings Bank | 510 |
| Wells Fargo Investment Advisors | 507 |
| Dewey Square Investors | 500 |
| Minton/Newbold's Capital Management | 496 |
| Wright Investors' Service | 491 |
| Morgan Stanley Asset Management | 434 |
| Fischer, Francis, Trees & Watts | 400 |
| Scudder, Stevens & Clark | 392 |
| Security Pacific Investment Managers | 372 |
| **Total** | **33,246** |

### Irving Trust Co.

*1 Wall St., New York, N.Y. 10015; (212) 635-1706*

| | |
|---|---|
| Total assets managed | $8,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,000,000,000 |
| Commingled | $911,000,000 |
| Separate | $3,089,000,000 |
| Mortgage-backed assets managed | $250,000,000 |
| International assets managed | $40,000,000 |
| Tax-exempt clients: | |
| Commingled | 250 |
| Separate | 163 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 7 |
| Size of research staff | 11 |

Irving Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach is value-oriented/fundamentalist. Irving Trust identifies undervalued companies that exhibit accelerating earnings growth.

Its value-oriented, fixed-income approach focuses on active maturity shifts based on bond yield premiums to inflation, Treasury bill rates and the firm's interest rate and inflation forecasts.

*Gary N. Yalen*

The asset mix Jan. 1 was 17.2% stocks, 82.77% bonds and 0.03% cash; $40 million was in foreign bonds, $70 million in equity index funds and $522.1 million in dedicated or immunized portfolios.

The parent company is Irving Bank Corp. Assets under management by the parent, subsidiaries and affiliates total $23 billion.

Gary N. Yalen, senior vice president, is chief investment officer. Alec J. McAuley and John Igneri, vice presidents, are client contacts.

### Ivory & Sime International

*39 Main St., Chatham, N.J. 07928; (201) 635-6700*

| | |
|---|---|
| Total assets managed | $140,000,000 |
| Tax-exempt assets managed | $84,000,000 |
| International assets managed | $84,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 38 |

Ivory & Sime International is an equity, fixed-income, balanced and international manager.

Its equity approach emphasizes growth stock, sector rotation and market timing, utilizing long-term fundamentals in a research-based approach. Emphasis is stock selection and identifying companies in a global context.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 89% stocks, 8% bonds and 3% cash.

There was $74.3 million in foreign stocks, $6.3 million in foreign bonds and $2.9 million in foreign cash.

The parent companies are Ivory & Sime PLC and Jamison, Eaton & Wood Inc. Total assets under management by the parents, subsidiaries and affiliates are $9 billion.

Keith Wood, chairman, is chief investment officer and client contact.

## J

### Jacobs Levy Equity Management Inc.

*Edgewater Commons No. 2, 81 Two Bridges Road, Fairfield, N.J. 07006; (201) 882-0066*

| | |
|---|---|
| Total assets managed | $0 |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |

Jacobs Levy Equity Management Inc., an equity manager, follows a quantitatively driven stock rotation strategy using proprietary anomaly and sector models.

It follows 1,500 stocks closely and 3,500 generally; all research is generated internally.

Bruce I. Jacobs and Kenneth N. Levy are chief investment officers. Mr. Jacobs is client contact.

### Jacques and Kurdziel Ltd.

*405 Park Ave., Suite 600, New York, N.Y. 10022; (212) 758-8778*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $0 |

Jacques and Kurdziel Ltd. is a real estate manager seeking office buildings and regional malls, on an all-cash basis, with development or redevelopment potential.

### James Investment Research

*P.O. Box 8, Alpha, Ohio 45301; (513) 426-7640*

| | |
|---|---|
| Total assets managed | $205,000,000 |
| Tax-exempt assets managed | $129,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 8 |

James Investment Research Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and low p/e stocks with sector rotation, market timing and quantitative approaches. Managers seek neglected stocks that have excellent fundamentals.

For fixed income, only high-quality bonds are bought, with maturities based on interest rate forecasts.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Francis E. James Jr., president, is chief investment officer. Diane Rose and Barry James are client contacts.

### James River Capital Management Inc.

*909 E. Main St., Suite 321, Richmond, Va. 23219; (804) 780-3207*

| | |
|---|---|
| Total assets managed | $115,000,000 |
| Tax-exempt assets managed | $43,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 4 |

James River Capital Management Inc. is an equity and balanced manager.

Asset allocation and stock selection are driven by systematic analysis of valuation, fundamental and psychological data. Stocks are screened for low p/e, earnings momentum and reported earnings above expectations.

Its fixed-income approach is based on interest rate anticipation. Computer-based models analyze economic and monetary rate of change data.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

There is one 401(k) client.

The parent company is Scott & Stringfellow Financial Inc.

Paul Munson, managing director, is chief investment officer. Charles Fox, managing director, is client contact.

### Jamison, Eaton & Wood Inc.

*39 Main St., Chatham, N.J. 07928; (201) 635-6700*

| | |
|---|---|
| Total assets managed | $5,163,000,000 |
| Tax-exempt assets managed | $5,053,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 38 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Jamison, Eaton & Wood Inc. is an equity, fixed-income, balanced and international manager.

Its equity approach uses growth stock, sector rotation, market timing and quantitative techniques. Both top-down asset mix decisions and bottom-up stock selection criteria are used.

Its fixed-income approach integrates "top-down" policy-making and "bottom-up" company analysis using interest rate anticipation and sector analysis. Risk-reduction techniques are applied to maturity and quality decisions.

The asset mix Jan. 1 was 62% stocks, 26% bonds and 12% cash.

There are two 401(k) clients.

Keith H. Wood, chairman, is chief investment officer and client contact.

### Janus Capital Corp.

*100 Fillmore, Suite 300, Denver, Colo. 80206; (303) 333-3863*

| | |
|---|---|
| Total assets managed | $351,000,000 |
| Tax-exempt assets managed | $237,000,000 |
| Tax-exempt clients | 132 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Janus Capital Corp., an equity manager, uses a top down, opportunistic and value-oriented approach. Its bias

is toward companies with low debt/equity ratios and high cash positions.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

Janus follows 120 stocks closely; 45% of research is generated internally.

The parent company is Kansas City Southern Industries.

Thomas H. Bailey, president, is chief investment officer. B.E. "Ben" Niedermeyer, senior vice president, is client contact.

### Jarislowsky, Fraser & Co.

*65 Queen St. W., Suite 1501, Toronto, Ontario M5H 2M5; (416) 363-7417*

| | |
|---|---|
| Total assets managed | $5,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,200,000,000 |
| For subsidiaries of U.S. firms | $600,000,000 |
| Tax-exempt clients: | |
| Total | 170 |
| U.S. subsidiaries | 25 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $7,000,000 |
| No. of portfolio managers | 9 |

Jarislowsky, Fraser & Co. Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is based on fundamental research using Graham & Dodd analysis. Emphasis is placed on value analysis, financial strength and management competence.

Its fixed-income approach uses interest rate anticipation and sector analysis. It maximizes yield primarily by investing in quality corporate bonds. Three criteria are used — safety of principal, average term and yield optimization.

The asset mix Jan. 1 was 32% Canadian stocks, 48% bonds, 8% cash and 12% U.S. stocks.

Sixty stocks are followed closely and 100, generally; all research is generated internally.

Clients include F.W. Woolworth, Weston, Xerox Canada and Abitibi.

Stephen Jarislowsky, president, is chief investment officer. Lorne T. Wickerson is client contact.

### JCB Asset Management

*330 Commerce St., Nashville, Tenn. 37201; (615) 748-9422*

| | |
|---|---|
| Total assets managed | $126,000,000 |
| Tax-exempt assets managed | $94,000,000 |
| Tax-exempt clients | 57 |
| Types of accounts managed | CEFG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 12 |

JCB Asset Management is an equity, fixed-income and balanced manager.

Its equity approach seeks companies with strong earnings, preferably accelerating earnings growth, that are outperforming the market in terms of price movement.

Its fixed-income approach is passive, using laddered short- to intermediate-term bonds.

The asset mix Jan. 1 was 70% stocks and 30% bonds.

The parent company is J.C. Bradford and Co.

Norris Nielsen, president, is the chief investment officer. Tom Pollock, vice president, is client contact.

### Jennison Associates Capital

*466 Lexington Ave. New York, N.Y. 10017; (212) 421-1000*

| | |
|---|---|
| Total assets managed | $20,300,000,000 |
| Tax-exempt assets managed | $20,300,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | CEF |
| No. of portfolio managers | 7 |
| Size of research staff | 6 |

Jennison Associates Capital is an equity, fixed-income and balanced manager.

In fixed-income, it actively manages long-term, high-quality bonds and handle controlled accounts. It also manages dedicated and quantitatively structured accounts.

The asset mix Jan. 1 was 34% stocks and 66% bonds.

The parent company is Prudential Insurance Co. of America. Total assets under management by the parent company, subsidiaries and affiliates are $177.5 billion.

Spiros Segalas, director and senior vice president, is chief investment officer. John H. Hobbs, president, is client contact.

### Jenswold, King & Associates Inc.

*Sage Plaza, 5151 San Felipe, Suite 1450, Houston, Texas 77056-3698; (713) 961-0462*

| | |
|---|---|
| Total assets managed | $204,000,000 |
| Tax-exempt assets managed | $89,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Jenswold, King & Associates Inc. is an equity and balanced manager.

Its equity approach uses low p/e stocks and Graham & Dodd analysis. The value-oriented strategy features asset allocation and emphasizes capital preservation.

For fixed income, maturities are regulated based on the slope of the yield curve and interest rate expectations. It uses straight-debt issues rated BAA or better, plus convertible bonds. Options are used.

The asset mix Jan. 1 was 85% stocks, 6% bonds and 9% cash.

Roger H. Jenswold is the chief investment officer. Roger E. King, president, is client contact.

### JMB Institutional Realty

*875 N. Michigan Ave. Suite 3960, Chicago, Ill. 60611; (312) 915-1900*

| | |
|---|---|
| Total assets managed | $15,300,000,000 |
| Tax-exempt assets managed | $1,600,000,000 |
| Real estate assets managed | $1,600,000,000 |
| Tax-exempt clients | 175 |
| Types of accounts managed | CEFG |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 35 |

JMB Institutional Realty Corp., a real estate manager, makes equity investments in diversified portfolios of new and existing larger retail, office and apartment properties. Complementary investment structures are used to optimize returns; intensive property management is emphasized.

All tax-exempt assets were in equity real estate Jan. 1.

It is affiliated with JMB Realty Corp.

Clients include Pennsylvania State Employees, Xerox, Stanford University and General Board of Pensions of the United Methodist Church.

Neil G. Bluhm, president-JMB Realty, is chief investment officer. John S. Lillard, president-JMB Institutional Realty, is client contact.

### JMC Capital Management

*P.O. Box 6468, Metairie, La. 70009; (601) 833-1111*

| | |
|---|---|
| Total assets managed | $108,000,000 |
| Tax-exempt assets managed | $76,000,000 |
| Tax-exempt clients | 118 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

JMC Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth stock and sector rotation. It is both top-down and bottom-up in approach, generally using 20 to 30 small- and medium-cap stocks.

Its fixed-income approach is defensive, focusing on government and government agency issues. The average maturity of portfolios is between one and five years.

Options are used.

The asset mix Jan. 1 was 40% stocks, 55% bonds and 5% cash.

Franklin H. Jones Jr. is chief investment officer. Scott M. Harrington, marketing director, is client contact.

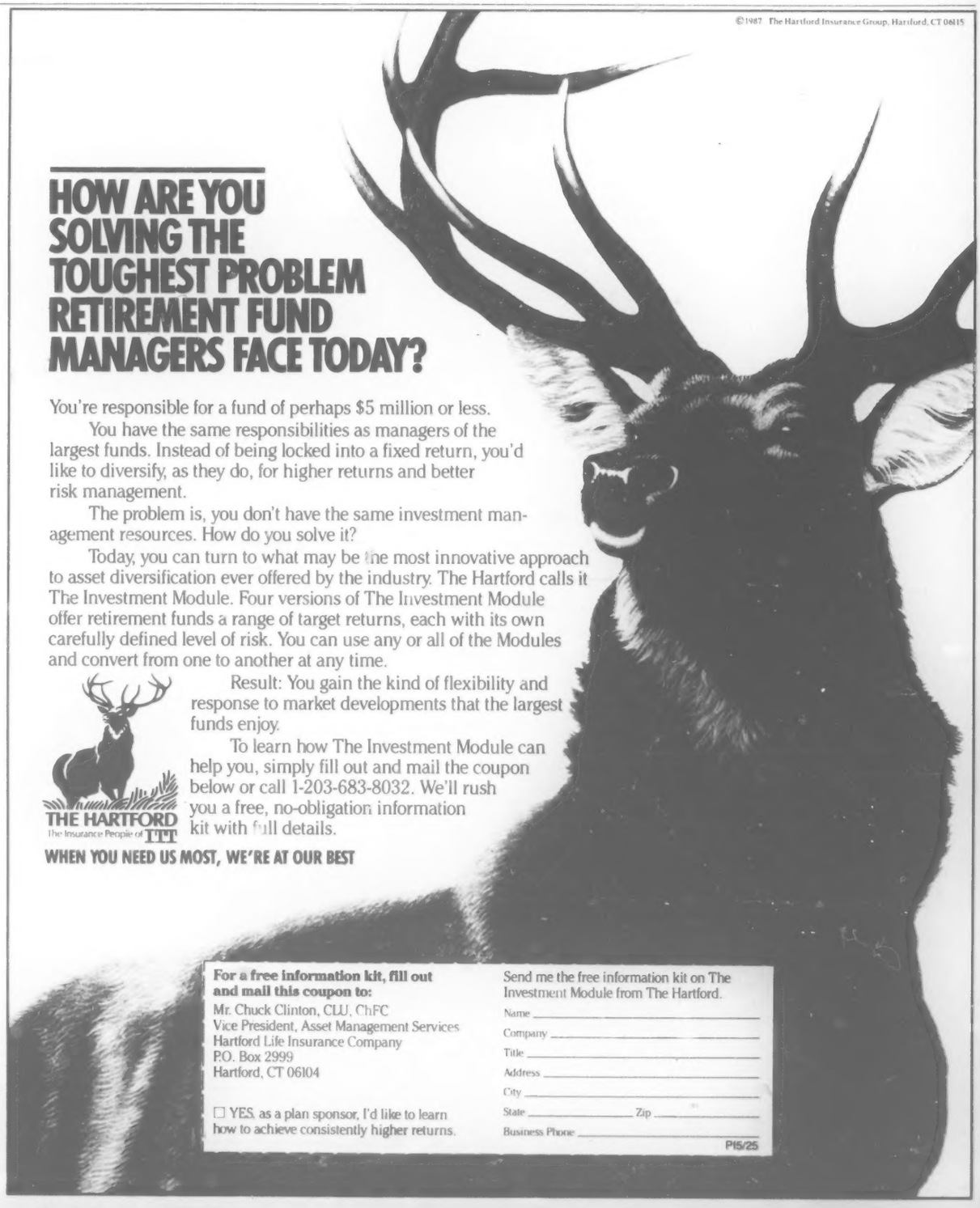
### Johnson Investment Counsel Inc.

*5556 Cheviot Road, Cincinnati, Ohio 45247; (513) 385-4001*

| | |
|---|---|
| Total assets managed | $303,000,000 |
| Tax-exempt assets managed | $163,000,000 |
| Tax-exempt clients | 95 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Johnson Investment Counsel Inc. is an equity, fixed-income and balanced manager.

Its equity strategy uses Graham &

Dodd analysis and growth stock in a top-down approach with sector analysis.

Its fixed-income approach uses sector analysis, making selections based on quality, duration and special situations. It emphasizes convertible bonds.

The asset mix Jan. 1 was 53% stocks, 40% bonds and 7% cash.

Timothy E. Johnson, president, is chief investment officer. Scott F. Muhlhauser, vice president, is client contact.

### Tom Johnson Investment Management Inc.

*201 Robert S. Kerr, Suite 517, Fidelity Plaza, Oklahoma City, Okla. 73102; (405) 236-2111*

| | |
|---|---|
| Total assets managed | $585,000,000 |
| Tax-exempt assets managed | $498,000,000 |
| 401(k) assets managed | $12,000,000 |
| Tax-exempt clients | 67 |
| Types of accounts managed | CFG |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Tom Johnson Investment Management Inc. is an equity, fixed-income and balanced manager.

Its top-down equity approach uses sector rotation.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 35% stocks, 60% bonds and 5% cash.

There are four 401(k) clients.

It follows 50 stocks closely and 2,000, generally; 15% of the research is generated internally.

Clients include Oklahoma Teachers, Mary Kay Foundation, Southwest Airlines Pilots and Oklahoma Police.

Thomas E. Johnson is chief investment officer. Jerry L. Wise is client contact.

### Johnson, Valliant & Broadfoot Inc.

*100 S. Charles, Baltimore, Md. 21201; (301) 837-4800*

| | |
|---|---|
| Total assets managed | $175,000,000 |
| Tax-exempt assets managed | $170,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CE |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |

Johnson, Valliant and Broadfoot Inc., an equity manager, focuses on a diversified portfolio of emerging growth stocks. Original, fundamental research is the dominant characteristic of the investment process.

The asset mix Jan. 1 was 97% stocks and 3% cash.

Ninety stocks are followed closely and 150, generally; 70% of research is generated internally.

John T. Johnson, partner, is chief investment officer and client contact.

### Johnstown Institutional Advisors

*2000 Powell St., Emeryville, Calif. 94608; (415) 652-7171*

| | |
|---|---|
| Total assets managed | $5,000,000,000 |
| Tax-exempt assets managed | $500,000,000 |
| Real estate assets managed | $500,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 6 |

Johnstown Institutional Advisors, a real estate manager, makes equity investments in apartments and commercial properties nationwide; property management is done internally. It also places and manages mortgages.

All assets Jan. 1 were committed to real estate equity.

All research is internally generated.

Johnstown American Cos. is the parent company.

Richard G. Wollack, president and chief executive officer, is chief investment officer. Tim Marinec, senior vice president, is client contact.

### Jones Lang Wootton Realty Advisors

*101 E. 52nd St., New York, N.Y. 10022; (212) 688-8181*

| | |
|---|---|
| Total assets managed | $1,500,000,000 |
| Tax-exempt assets managed | $900,000,000 |
| Real estate assets managed | $900,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CG |
| Minimum separate account | $150,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 5 |

Jones Lang Wootton Realty Advisors, a real estate manager, takes an opportunistic approach that allows for value creation through aggressive property management, leasing, development management and leveraging techniques.

All tax-exempt assets were in equity real estate as of Jan. 1.

Clients include Pacific Telesis, U S WEST and Pennsylvania Public School Employees.

John A. Weisz is client contact.

### Jundt/Capen Associates Inc.

*1660 S. Highway 100, Suite 440, Minneapolis, Minn. 55416; (612) 541-0677*

| | |
|---|---|
| Total assets managed | $1,120,000,000 |
| Tax-exempt assets managed | $1,120,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CFJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 3 |

Jundt/Capen Associates Inc., a growth-stock manager, follows a very disciplined style for its emerging growth and core portfolios.

The asset mix Jan. 1 was 90% stocks and 10% cash.

One hundred stocks are followed closely and 250, generally; 35% of research is generated internally.

Clients include Dana Corp., Pacific Gas & Electric, Amfac and Champion International.

James R. Jundt, chairman, is chief investment officer and client contact.

### Jurika & Voyles

*1970 Broadway, Suite 1250, Oakland, Calif. 94612; (415) 834-9740*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| International assets managed | $3,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Jurika & Voyles is an equity and balanced manager.

Its equity approach uses Graham & Dodd analysis and low p/e stocks.

The firm approaches stocks as though it were to buy the whole company at present market value. Managers concentrate on cash flow and will not pay p/e multiples that are higher than the averages.

Its fixed-income approach uses interest rate anticipation. Managers use a momentum index consisting of eight interest rate indicators. When the index reverses they will lengthen or shorten maturities.

The asset mix Jan. 1 was 50% stocks, 45% bonds and 5% cash.

There was $3 million in foreign stocks.

It follows 60 stocks closely and 100, generally; half of the research is generated internally.

Clients include Robert Mondavi, Children's Hospital Foundation of the East Bay and Central Bank Pension.

William K. Jurika is chief investment officer and client contact.

**k**

### Kahn Brothers & Co. Inc.

*1 Exchange Plaza, New York, N.Y. 10006-3002; (212) 269-7450*

| | |
|---|---|
| Total assets managed | $558,000,000 |
| Tax-exempt assets managed | $162,000,000 |
| Tax-exempt clients | 67 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |

Kahn Brothers & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach employs fundamental Graham & Dodd analysis to identify investments that have potential for value realization.

Its fixed-income approach concentrates on higher grade credits and frequently invests in less conventional instruments to improve yield without sacrificing credit quality.

The asset mix Jan. 1 was 44% stocks, 33% bonds and 23% cash.

Alan R. Kahn, president, is chief investment officer. Thomas G. Kahn, executive vice president, is client contact.

### Kangyo Kakumaru Capital Management Corp.

*1 World Financial Center, 18th Floor, New York, N.Y. 10281; (212) 587-7654*

| | |
|---|---|
| Total assets managed | $85,000,000 |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 48 |

Kangyo Kakumaru Capital Management Corp. is an equity, fixed-income, balanced and international manager.

Its equity approach emphasizes growth and emerging growth stocks and market timing.

Its fixed-income approach is driven by interest rate anticipation and sector analysis.

The parent company is Kangyo Kakumaru Research Institute. Total assets under management by the parent company, subsidiaries and affiliates are $1.824 billion.

Etsuo Ogiwara is chief investment officer and client contact.

### Kanne, Paris & Hoban Inc.

*135 S. LaSalle St., Chicago, Ill. 60603; (312) 372-2255*

| | |
|---|---|
| Total assets managed | $115,000,000 |
| Tax-exempt assets managed | $68,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CEJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Kanne, Paris & Hoban Inc. is an equity manager.

Its equity approach is conservative and risk-averse, emphasizing Graham & Dodd analysis to identify and invest in undervalued equities. It invests in companies with large market capitalization and strong profit performance that are overlooked by the market.

The asset mix Jan. 1 was 76% stocks, 1% bonds and 23% cash.

It follows 200 stocks closely and 3,000, generally; all the research is generated internally.

Jeffrey E. Kanne is chief investment officer. Ernest J. Dunston is client contact.

### Karsten Realty Advisors

*12121 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90025; (213) 826-0035*

| | |
|---|---|
| Total assets managed | $1,319,000,000 |
| Tax-exempt assets managed | $576,000,000 |
| Real estate assets managed | $576,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CFJG |
| Minimum separate account | $20,000,000 |

Karsten Realty Advisors is a real estate manager.

It emphasizes equity ownership and equity-oriented mortgages either wholly owned or joint ventures in existing properties, forward commitments and development projects. It focuses on office, industrial, R&D, and retail properties in the West and Southwest.

The asset mix Jan. 1 was 71% equity real estate and 29% mortgages.

There was $407 million in real estate equity and $169 million in mortgages.

The parent company is First Interstate Bancorp. Total assets under management by the parent company, subsidiaries and affiliates are $17.753 billion.

Clients include, AT&T, Ohio Teachers and Nevada Public Employees.

Hugh G. Hilton, principal, is chief investment officer. A. Redmond Doms Jr., principal, and John M. Lundsten, principal, are client contacts.

### KAS Investment Consultants

*13005 S.E. 46th St., Bellevue, Wash. 98006; (206) 641-7645*

| | |
|---|---|
| Total assets managed | $8,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

KAS Investment Consultants is an equity, fixed-income and balanced manager.

Its equity approach focuses on stocks with strong fundamental value identified by market screens and researched. Low p/e stocks, market timing and Graham & Dodd analysis are employed.

Its fixed-income approach is driven by interest rate anticipation. Credits, economic forecasts and markets are reviewed.

The asset mix Jan. 1 was 48% stocks, 47% bonds, 4% cash, 1% real estate equity.

R.J. Wells-Henderson, principal, is chief investment officer. Richard L. Wilkins, principal, is client contact.

### John S. Keenlyside & Co.

*309-470 Granville St., Vancouver, British Columbia V6C 1V5; (604) 688-2378*

| | |
|---|---|
| Total assets managed | $35,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

John S. Keenlyside & Co. Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach includes use of growth stock, sector rotation and market timing.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 50% stocks, 30% bonds, 10% cash and 10% U.S. stocks.

Thirty five stocks are followed closely and 75, generally.

John Keenlyside is chief investment officer and client contact.

*Gordon P. Wilson*
*Kemper Financial Services*

### Kemper Financial Services

*120 S. LaSalle St., Chicago, Ill. 60603; (312) 781-1121*

| | |
|---|---|
| Total assets managed | $39,346,000,000 |
| Tax-exempt assets managed | $3,591,000,000 |
| Mortgage-backed assets managed | $180,000,000 |
| International assets managed | $355,000,000 |
| Tax-exempt clients | 51 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 20 |

Kemper Financial Services Inc. is an equity, fixed-income, balanced and international manager.

Its equity approach is fundamental, selecting individual stocks possessing superior earnings growth potential at valuations that underestimate that growth.

In fixed income, it follows a sector allocation style that emphasizes issuer selection within a controlled framework of plus or minus 20% of the duration of the Shearson Lehman Government/Corporate index.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 72% stocks, 16% bonds, 7% cash and 5% mortgage-backed securities. The $157 million in foreign stocks and $198 million in foreign bonds is managed by its subsidiary, Kemper-Murray Johnstone International.

Kemper Financial follows 200 stocks closely and 1,000, generally; 75% of research is internally generated.

Clients include Gerber Products, National Can, Pillsbury and Art Institute of Chicago.

Gordon P. Wilson is chief investment officer. Geoffrey P. Lutz is client contact.

### Kempner Capital Management Inc.

*P.O. Box 119, Galveston, Texas 77553; (409) 765-6671*

| | |
|---|---|
| Total assets managed | $356,000,000 |
| Tax-exempt assets managed | $74,000,000 |
| 401(k) assets managed | $2,000,000 |
| International assets managed | $23,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |

Kempner Capital Management Inc. is an equity manager, emphasizing Graham & Dodd analysis and low p/e stocks with limited downside risk, and with expansion in growth, earnings and p/e multiples expected in three to five years. Options are used.

In fixed income it takes a passive approach, buying high-quality, full-faith-and-credit governments.

The asset mix Jan. 1 was 80% stocks and 20% cash.

Harris L. Kempner Jr., president, is chief investment officer. Donna Gindrup, vice president, is client contact.

*Duff Kennedy*
*Kennedy Associates*

### Kennedy Associates Inc.

*2400 Financial Center, Seattle, Wash. 98161; (206) 624-9640*

| | |
|---|---|
| Total assets managed | $3,465,000,000 |
| Tax-exempt assets managed | $3,465,000,000 |
| Real estate assets managed | $640,000,000 |
| Tax-exempt clients | 60 |
| Types of accounts managed | JG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 4 |

Kennedy Associates Inc. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes growth stock and sector rotation to capitalize on the long-term prospects of stocks, bonds and real estate by combining each investment objectives with technical and fundamental research.

Its fixed-income approach is based on the firm's evaluation of the interest rate cycle and its relationship to the business cycle and the economic outlook to maximize expected performance of investments.

Its real estate approach involves equity position purchases in general purpose, multitenant commercial properties nationwide.

The asset mix Jan. 1 was 37% stocks, 40% bonds, 6% cash, 14% equity real estate, and 3% mortgages.

There was $621 million in equity real estate and $19 million in mortgages. Options are used.

Clients include city of New York, Chicago Carpenters, Alaska and International Ironworkers.

Duff Kennedy, president, is chief investment officer. Roger V. Kelly, senior vice president, is client contact.

### Kennedy Capital Management Inc.

*425 N. New Ballas Road, St. Louis, Mo. 63141; (314) 432-0400*

| | |
|---|---|
| Total assets managed | $110,000,000 |
| Tax-exempt assets managed | $101,000,000 |
| 401(k) assets managed | $50,000,000 |
| Real estate assets managed | $2,000,000 |
| International assets managed | $8,000,000 |
| Tax-exempt clients | 65 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Kennedy Capital Management Inc. is an equity, balanced, international and mutual fund manager.

Its equity approach is quantitative, emphasizing emerging growth, growth and low p/e stocks, market timing and Graham & Dodd analysis to provide optimum risk-adjusted total return through computer screens.

Its fixed-income approach is passive, utilizing no-load mutual funds/money market switching to optimize income yield/total returns and minimize client investment risk.

The asset mix Jan. 1 was 95% stocks, 1% bonds, 2% cash and 2% equity real estate.

There was $2 million in real estate equity and $8 million in foreign stocks.

Options are used.

Gerald T. Kennedy, president, is chief investment officer. Mr. Kennedy and Thomas P. Greene are client contacts.

## Key/Dunedin Worldwide Investments

*60 State St., Albany, N.Y. 12207; (518) 447-3713*

| | |
|---|---|
| Total assets managed | $53,000,000 |
| Tax-exempt assets managed: | |
| Total | $53,000,000 |
| Separate | $53,000,000 |
| International assets managed | $32,000,000 |
| Tax-exempt clients: | |
| Separate | 2 |
| Types of accounts managed | CE |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 12 |

Key/Dunedin Worldwide Investments is an international and global manager.

Its equity approach emphasizes growth stocks; investments are targeted by examining world economies, stock markets, currencies and investment themes.

The asset mix Jan. 1 was 95% stocks and 5% cash.

There was $31.5 million in foreign stocks. Options are used.

The parent companies are Key Trust Co., Albany, and Dunedin Fund Managers, Edinburgh, Scotland. Total assets under management by the parent companies, subsidiaries and affiliates are $3.7 billion.

Alan S. Kemp, director, is chief investment officer. Douglas B. Waggoner, senior vice president, is client contact.

## Keystone Investment Management Corp.

*99 High St., Boston, Mass. 02110; (617) 338-3600*

| | |
|---|---|
| Total assets managed | $507,000,000 |
| Tax-exempt assets managed | $267,000,000 |
| Tax-exempt clients | 63 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |

Keystone Investment Management Corp., formerly MassCo Investment Management Corp., is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, slightly contrarian, high-yield and value-oriented, using low p/e stocks and Graham & Dodd analysis.

Its fixed-income strategy is based on the current level and trend of interest rates, forces affecting the markets and yield and quality spread analysis. Investment-grade issues with maturities of 15 years or less are purchased.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent company is Travelers Corp. Assets under management by the parent, subsidiaries and affiliates total $51.899 billion.

George F. Wilkins is senior vice president and chief investment officer. Philip M. Byrne, president, and Robert A. Shann, vice president-institutional sales, are client contacts.

## Key Trust Co. of Maine

*1 Canal Plaza, Portland, Maine 04112; (207) 874-7113*

| | |
|---|---|
| Total assets managed | $531,000,000 |
| Tax-exempt assets managed: | |
| Total | $89,000,000 |
| Commingled | $18,000,000 |
| Separate | $71,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Real estate assets managed | $4,000,000 |
| Tax-exempt clients: | |
| Commingled | 180 |
| Separate | 150 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 5 |

Key Trust Co. of Maine is an equity, fixed-income and balanced manager.

Its equity approach is long-term and value-oriented, focusing on growth stocks. Options are used.

Anticipating changes in interest rates, Key Trust takes an aggressive fixed-income approach using laddered maturities with a yield curve emphasis.

The asset mix Jan. 1 was 55% stocks, 35% bonds, 5% cash and 5% equity real estate.

There are five 401(k) and 457 plan clients.

The parent company is Key Corp. Assets under management by the parent, subsidiaries and affiliates total $8 billion.

William M. Hunter III, senior vice president, is chief investment officer. Gary L. Robinson, assistant vice president, is client contact.

## Key Trust Co.

*60 State St., Albany, N.Y. 12207; (518) 447-3919*

| | |
|---|---|
| Total assets managed | $1,450,000,000 |
| Tax-exempt assets managed: | |
| Total | $410,000,000 |
| Commingled | $30,000,000 |
| Separate | $380,000,000 |
| International assets managed | $42,000,000 |
| Tax-exempt clients: | |
| Commingled | 100 |
| Separate | 325 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 3 |

Key Trust Co. is an equity, fixed-income, balanced, international and global manager.

Its equity approach emphasizes sector rotation. Its fixed income approach is driven by interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 55% stocks, 40% bonds and 5% cash.

There was $42 million in foreign stocks. Options are used.

It follows 160 stocks closely.

The parent company is KeyCorp. Total assets under management by the parent company, subsidiaries and affiliates are $8 billion.

Peter A. Farrell, executive vice president, is chief investment officer. George H. Elferink, executive vice president, is client contact.

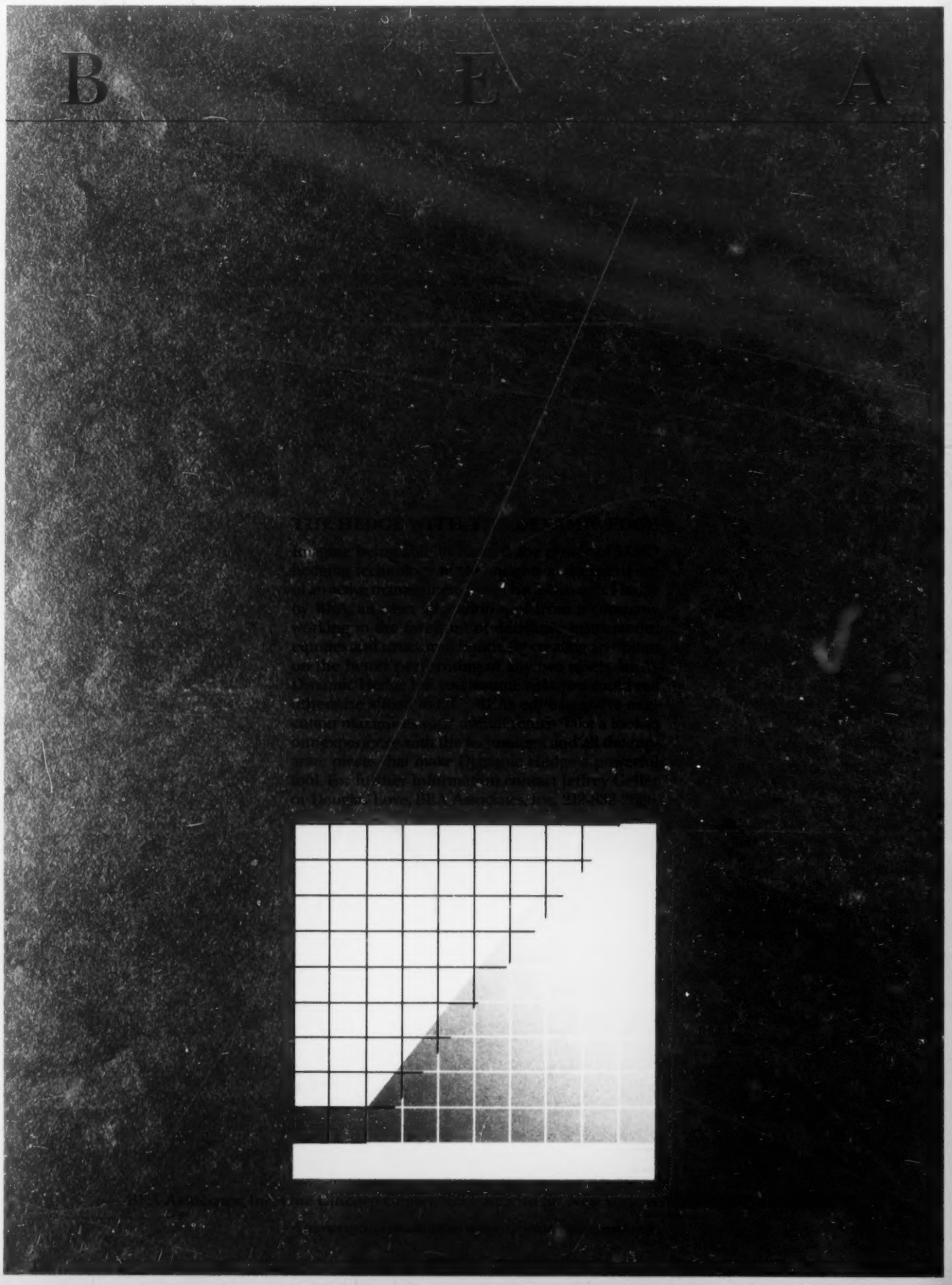
## Kiene, Wooters & Associates Inc.

*309 Clifton Ave., Minneapolis, Minn. 55403; (612) 870-8800*

| | |
|---|---|
| Total assets managed | $600,000,000 |
| Tax-exempt assets managed | $400,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Kiene, Wooters & Associates Inc. is an equity, fixed-income and balanced manager. The firm also manages return enhancement overwriting.

Its equity approach is passive and



quantitative, emphasizing sector rotation, market timing and Graham & Dodd analysis.

It manages index stock portfolios with return enhancement and adaptive portfolio protection procedures using index futures and options.

Its fixed-income approach is driven by interest rate anticipation and uses all derivative instruments. Investment methods parallel equity approach.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

The firm writes options on $600 million of securities, of which $400 million represents tax-exempt assets. Assets under management total $540 million, of which $360 million is tax exempt.

Clients include Wisconsin Power & Light, Longyear, Johnson Controls and Cenex.

R.C. Kiene, president, is client contact.

### Thomas D. Kienlen Corp.

*975 Oak St., Suite 625, Eugene, Ore. 97401; (503) 686-2744*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $5,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CF |
| Minimum separate account | $0 |
| No. of portfolio managers | 1 |

Thomas D. Kienlen Corp. is an equity manager.

Its approach emphasizes market timing. All assets were in cash Jan. 1.

Thomas D. Kienlen is chief investment officer and client contact.

### Luther King Capital Management

*401 Burk Burnett Building, 500 Main St., Fort Worth, Texas; 76102; (817) 332-3235*

| | |
|---|---|
| Total assets managed | $1,800,000,000 |
| Tax-exempt assets managed | $1,200,000,000 |
| International assets managed | $50,000,000 |
| Tax-exempt clients | 72 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |

Luther King Capital Management is an equity, fixed-income and balanced manager.

It emphasizes companies exhibiting above-average growth characteristics with high return on shareholders' equity and low financial leverage, and companies with assets selling significantly below private-market value. Sector rotation also is used.

In fixed income, it uses interest rate anticipation in purchasing intermediate-term Treasury notes and corporate bonds. And it exploits market inefficiencies in thinly traded discount sinking fund corporate issues.

The asset mix Jan. 1 was 85% stocks, 5% bonds and 10% cash; $50 million was in foreign stocks.

The firm follows 150 stocks closely and 250, generally; 65% of research is generated internally.

Clients include Kimberly Clark, Smith College, University of Notre Dame and Noble Affiliates.

J. Luther King Jr., president, is chief investment officer. Emmett M. Murphy is client contact.

### Kingsley, Jennison, McNulty & Morse Inc.

*220 Sansome St., Suite 1100, San Francisco, Calif. 94104; (415) 433-5844*

| | |
|---|---|
| Total assets managed | $385,000,000 |
| Tax-exempt assets managed | $321,000,000 |
| 401(k) assets managed | $1,000,000 |
| Mortgage-backed assets managed | $42,000,000 |
| International assets managed | $11,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

Kingsley, Jennison, McNulty & Morse Inc. is an equity, fixed-income and balanced manager.

Its equity approach is active, investing 80% of funds in quality demonstrated growth stocks and 20% in emerging growth stocks.

Its fixed-income approach uses interest anticipation and sector analysis. Portfolio duration and sector weightings are varied relative to client baseline index; futures and options hedging strategies are used to manage volatility.

The asset mix Jan. 1 was 49% stocks, 25% bonds, 15% cash and 11% mortgage-backed securities.

There was $11 million in foreign stocks. There is one 401(k) client.

Richard K. Kingsley is chief investment officer. Philip W. Jonckheer is client contact.

### Kingwest & Co.

*33 Yonge St., Suite 1220, Toronto, Ontario, M5E 1S9; (416) 364-1503*

| | |
|---|---|
| Total assets managed | $220,000,000 |
| Tax-exempt assets managed: | |
| Total | $220,000,000 |
| For subsidiaries of U.S. firms | $220,000,000 |
| Tax-exempt clients: | |
| Total | 7 |
| U.S. subsidiaries | 2 |
| Types of accounts managed | CFU |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Kingwest & Co. is an equity and balanced manager.

Its equity approach emphasizes low p/e, emerging growth stocks and Graham & Dodd analysis. Potential investments are screened through a cash flow model designed to highlight value.

Its fixed-income approach is driven by interest rate anticipation. Securities are acquired to optimize yield without taking risk; security of principal and income are mandatory.

The asset mix Jan. 1 was 45% Canadian stocks, 40% bonds, 5% cash and 10% U.S. stocks.

Richard L. Fogler is chief investment officer. Bruce Taylor is client contact.

### Kirr, Marbach & Co.

*621 Washington St., Columbus, Ind. 47201; (812) 376-9444*

| | |
|---|---|
| Total assets managed | $309,000,000 |
| Tax-exempt assets managed | $239,000,000 |
| 401(k) assets managed | $1,000,000 |
| International assets managed | $5,000,000 |
| Tax-exempt clients | 93 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Kirr, Marbach & Co. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes Graham & Dodd analysis. Its fixed-income approach is passive.

The asset mix Jan. 1 was 70.5% stocks, 18.5% bonds and 11% cash.

There was $1 million in foreign stocks and $4 million in foreign bonds. There are two 401(k) clients.

It follows 120 stocks closely and 300, generally; half the research is internally generated.

Terry B. Marbach, vice president, is chief investment officer. David M. Kirr, president, is client contact.

### Kleinwort Benson International Investment

*200 Park Ave., Suite 5610, New York, N.Y. 10166; (212) 972-9315*

| | |
|---|---|
| Total assets managed | $290,000,000 |
| Tax-exempt assets managed | $190,000,000 |
| International assets managed | $190,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CFJ |
| Minimum separate account | $0 |
| No. of portfolio managers | 5 |

Kleinwort Benson International Investment Ltd. is an international manager.

Its equity approach uses growth and low p/e stocks in a bottom-up approach. It emphasizes selection of stocks to achieve long-term performance with low absolute risk.

Its fixed-income approach emphasizes interest and exchange rate anticipation and sector analysis. The firm uses a top-down approach with importance attached to macroeconomic analysis; AA or higher securities are selected.

The asset mix Jan. 1 was 96% stocks and 4% cash.

There was $183 million in foreign stocks and $7 million in foreign cash.

The parent company is Kleinwort Benson Lonsdale PLC. Total assets under management by the parent company, subsidiaries and affiliates are $12 billion.

John F.H. Trott is chief investment officer. William Young is client contact.

### Knight, Bain, Seath & Holbrook Capital Management Inc.

*8 King St. E., Suite 1500, Toronto, Ontario M5C 1B5; (416) 863-1433*

| | |
|---|---|
| Total assets managed | $1,995,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,975,000,000 |
| For subsidiaries of U.S. firms | $281,000,000 |
| Tax-exempt clients: | |
| Total | 48 |
| U.S. subsidiaries | 11 |
| Types of accounts managed | CEFU |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Knight, Bain, Seath & Holbrook Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis to identify growth and low p/e stocks.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 39% Canadian stocks, 23% bonds, 8% cash and 30% U.S. stocks.

It follows 70 stocks closely and 150, generally; 35% of the research is generated internally.

It is affiliated with Knight, Bain Seath, Holbrook & Partners Inc., Boston.

Clients include Coca-Cola, Procter & Gamble, Dow Chemical and Northern Telecom.

D. Knight, B. Bain, H. Seath and R. Holbrook are chief investment officers. Mr. Seath is client contact.

### Knight, Bain, Seath, Holbrook & Partners Inc.

*10 Liberty Square, Boston, Mass. 02109; (617) 423-1100*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

Knight, Bain, Seath, Holbrook & Partners Inc. offers equity, fixed-income, balanced and international management.

Its equity approach uses fundamental valuation according to specific criteria to find unrecognized growth potential and values of large and small companies with strong balance sheets and proprietary franchises.

Its fixed-income approach is driven by interest rate anticipation. Quality and liquidity are essential elements of security selection.

The parent company is Knight, Bain, Seath & Holbrook Capital Management Inc. Assets under management by the parent, subsidiaries and affiliates total $1.99 billion.

Andrew D. Parrillo, managing director, is client contact.

### Kreger Capital Management

*20180 Governors Highway, Olympia Fields, Ill. 60461; (312) 481-1314*

| | |
|---|---|
| Total assets managed | $19,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| 401(k) assets managed | $2,000,000 |
| Real estate assets managed | $4,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Kreger Capital Management is an equity and balanced manager.

Its equity approach is 70% reliance on market timing, 20% on industry selection and 10% on individual stock selection.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 75% stocks, 15% bonds, 7% cash and 3% equity real estate.

There was $4 million in equity real estate. There are two 401(k) clients. Options and stock index futures are used.

D.F. Kreger, president, is chief investment officer and client contact.

### Kunath Karren & Rinne Inc.

*2105 Financial Center, Seattle, Wash, 98161; (206) 621-7400*

| | |
|---|---|
| Total assets managed | $131,000,000 |
| Tax-exempt assets managed | $21,000,000 |
| Mortgage-backed assets managed | $5,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Kunath Karren & Rinne Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation and market-timing techniques. The firm emphasizes asset preservation. Portfolios are designed and weighted according to broad market themes. Its fixed-income portfolios are constructed within a maximum five-year maturity schedule employing Treasury securities, corporates, convertibles, preferreds and high-yield common stocks.

The asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

There was $1 million in foreign bonds. There is one 401(k) client. Options and stock index futures are used.

Jeffrey Atkin is chief investment officer. S. Michael Kunath is client contact.

### Kurtz Capital Management

*P.O. Box 461, Livingston, N.J. 07039; (201) 226-7500*

| | |
|---|---|
| Total assets managed | $175,000,000 |
| Tax-exempt assets managed | $170,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Kurtz Capital Management is an equity manager.

Its equity approach emphasizes growth, emerging growth and low p/e stocks.

The asset mix Jan. 1 was 90% stocks and 10% cash.

Stock index futures are used.

It follows 150 stocks closely and 200, generally; 60% of the research is generated internally.

Clients include Hughes Aircraft, Allied-Signal, Squibb and Primark.

Raymond J. Kurtz, president, is chief investment officer and client contact.

## L

### Laketon Investment Management

*P.O. Box 31, Royal Bank Plaza, Toronto, Ontario M5J 2J1; (416) 868-1380*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed: | |
| Total | $365,000,000 |
| For subsidiaries of U.S. firms | $38,000,000 |
| Tax-exempt clients: | |
| Total | 20 |
| U.S. subsidiaries | 1 |
| Types of accounts managed | CEPU |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 5 |

Laketon Investment Management, a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is to invest 50% in the current business cycle sector, 20% to 25% in Graham & Dodd sector and 25% to 30% in special situations with superior managers.

Its fixed-income approach uses sector analysis and actively manages to take advantage of anomalies in the market. A fundamental approach is based on economic analysis and interest rate anticipation.

The asset mix Jan. 1 was 23% Canadian stocks, 73% bonds and 4% U.S. stocks.

A.S. White is chief investment officer and client contact.

### Landauer Advisors Inc.

*335 Madison Ave., New York, N.Y. 10017; (212) 687-2323*

| | |
|---|---|
| Total assets managed | $321,000,000 |
| Tax-exempt assets managed | $114,000,000 |
| Real estate assets managed | $114,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | C |
| Minimum separate account | $20,000,000 |

Landauer Advisors Inc. is a real estate manager.

Its approach uses research and proprietary data to acquire investments before they are known to the general market. All properties are subject to an intensive entrepreneurial asset management program to assure long-term profitability.

The asset mix Jan. 1 was 100% equity real estate.

Frank B. McBrearity Jr., president, is chief investment officer. Peter A. Peyser, senior vice president, is client contact.

### LaSalle Advisors Ltd.

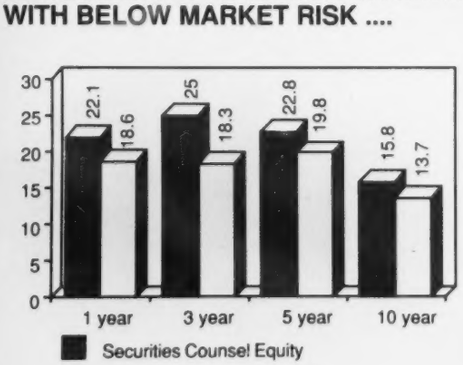
*11 S. LaSalle St., Chicago, Ill. 60603; (312) 782-5800*

| | |
|---|---|
| Total assets managed | $1,710,000,000 |
| Tax-exempt assets managed | $1,710,000,000 |
| Real estate assets managed | $1,710,000,000 |
| Tax-exempt clients | 59 |
| Types of accounts managed | CFG |
| Minimum separate account | $75,000,000 |

LaSalle Advisors Ltd. is a real estate manager.

Its real estate approach is to make equity purchases of larger high-quality office buildings, shopping centers and

CONSISTENTLY SUPERIOR INVESTMENT PERFORMANCE WITH BELOW MARKET RISK ....

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Contact: Elyse Essick at (313) 964-3390
333 West Fort Street, Suite 1200
Detroit, Michigan 48226

industrial parks with the objective of producing superior returns by aggressively managing the asset with its own professional on-site management.

The asset mix Jan. 1 was 100% equity real estate.

The parent company is LaSalle Partners. Total assets under management by the parent company, subsidiaries and affiliates are $1.709 billion.

Clients include Pacific Telesis, U S WEST, Illinois Municipal and Public Service Electric & Gas.

Vice presidents Christopher J. Burke, Midwest; Hugh E. Reams Jr., Southeast; Steven L. Wagner, Northeast; and William N. Thompson, West; are client contacts.

### La Sauvegarde Compagnie d'Assurance sur la Vie

*1 Complexe Desjardins, Montreal, Quebec H5B 1E2; (514) 285-7700*

| | |
|---|---|
| Total assets managed | $490,000,000 |
| Tax-exempt assets managed | $203,000,000 |
| Real estate assets managed | $9,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

La Sauvegarde Compagnie d'Assurance sur la Vie, a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach emphasizes market timing and sector rotation.

Its fixed-income approach depends on interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 33% Canadian stocks, 48% bonds, 9% cash, 5% mortgages and 5% U.S. stocks.

There was $9 million in mortgages.

Gerard Bouvier is chief investment officer. Alain Bedard, director-group pensions, is client contact.

### Latimer & Buck Real Estate Advisors

*121 S. Broad St., Philadelphia, Pa. 19001; (215) 985-3921*

| | |
|---|---|
| Total assets managed | $1,250,000,000 |
| Tax-exempt assets managed | $1,250,000,000 |
| Real estate assets managed | $1,250,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | G |
| Minimum separate account | $25,000,000 |

Latimer & Buck Real Estate Advisors is a real estate manager.

Its approach concentrates on equity-oriented real estate investments using participation and convertible mortgages and joint-venture structures.

The asset mix Jan. 1 was 50% equity real estate and 50% mortgages.

There was $625 million in real estate equity and $625 million in mortgages.

The parent company is Fidelity Bank. Total assets under management by the parent company, subsidiaries and affiliates are $13 billion.

Clients include Pennsylvania Public School Employees and Pennsylvania State Employees.

Douglas S. Callantine is chief investment officer and client contact.

### C.J. Lawrence Management

*115 Broadway, New York, N.Y. 10006; (212) 306-9485*

| | |
|---|---|
| Total assets managed | $437,000,000 |
| Tax-exempt assets managed | $192,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 24 |

C.J. Lawrence Management is an equity and balanced manager.

Its equity approach employs a value-oriented style focusing quantitative, relative value discipline and Graham & Dodd research on portfolios concentrated by economic sector and number of issues.

**Key to abbreviations**

**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)

The asset mix Jan. 1 was 80% stocks, 11% bonds and 9% cash.

The parent company is Cyrus J. Lawrence Inc. Total assets under management by the parent company, subsidiaries and affiliates are $437 million.

E. William Smethurse Jr., managing director, is chief investment officer. Robert Q. Wyckoff Jr., managing director, is client contact.

### Lazard Freres Asset Management

*1 Rockefeller Plaza, New York, N.Y. 10020; (212) 489-6600*

| | |
|---|---|
| Total assets managed | $7,996,000,000 |
| Tax-exempt assets managed | $6,910,000,000 |
| International assets managed | $8,000,000 |
| Tax-exempt clients | 125 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 18 |
| Size of research staff | 5 |

Lazard Freres Asset Management is an equity, fixed-income, balanced and international manager.

Its equity approach uses proprietary research to discover and validate stocks where it received more (high return on equity and assets) than it paid for (price/book value).

Its fixed-income approach manages accounts with a total return orientation. Valuation techniques are used to restructure the coupon, sector and maturity of portfolios.

Strategy is implemented through risk-reward analysis.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

There was $8 million in foreign stocks and $290 million in dedicated or immunized bond portfolios.

It generates 85% of research internally.

The parent company is Lazard Freres & Co.

Clients include New York State Electric & Gas Corp., Bakery & Confectionery Unions, New York City Carpenters and General Dynamics.

Herbert W. Gullquist, general partner, is chief investment officer. Mark W. Hamilton, Anthony J. Dote Jr. and Raye Dube are client contacts.

### R.M. Leary & Co. Inc.

*3300 E. 1st Ave., No. 380, Denver, Colo. 80206; (303) 320-1063*

| | |
|---|---|
| Total assets managed | $17,000,000 |
| Tax-exempt assets managed | $17,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CFG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

R.M. Leary & Co. Inc. is a balanced manager.

Its equity approach uses market timing in an aggressive common stock fund during rising markets and defensive positions in a bond or money market fund during declining markets.

Its fixed-income approach uses interest rate anticipation. Bearish markets dictate a defensive move to money market funds that pay average, competitive returns.

The asset mix Jan. 1 was 100% mutual fund common stocks.

Kate Leary Lee is chief investment officer and client contact.

Real estate advisers: Sept. 21.

### Leavy Investment Management Inc.

*6400 Powers Ferry Road, Suite 102, Atlanta, Ga. 30339; (404) 951-9314*

| | |
|---|---|
| Total assets managed | $382,000,000 |
| Tax-exempt assets managed | $379,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Leavy Investment Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach seeks to lower risk while maximizing return potential using the principles of willingness to go against the crowd, price sensitivity, high quality and adequate diversification.

Its fixed-income approach seeks the best compromise between short-term bonds and cash and long bonds. It reacts to changes in interest rates.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash.

There was $60 million in dedicated bond portfolios.

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Clients include National Gypsum, American Motors, Harte-Hanks Communications and Washington Suburban Sanitary Commission.

John M. Leavy, president, is chief investment officer and client contact.

## Lee, Robinson & Steine Inc.

*First American Center, Nashville, Tenn. 37238; (615) 748-2893*

| | |
|---|---|
| Total assets managed | $2,500,000,000 |
| Tax-exempt assets managed | $1,000,000,000 |
| 401(k) assets managed | $20,000,000 |
| Mortgage-backed assets managed | $50,000,000 |
| International assets managed | $25,000,000 |
| Tax-exempt clients | 125 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 1 |

Lee, Robinson & Steine Inc. is an equity, fixed-income, balanced and GIC manager.

Its equity approach uses sector rotation, market timing and quantitative analyses.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 45% stocks, 45% bonds, 5% cash and 5% mortgage-backed securities.

There was $25 million in foreign stocks.

There are 10 401(k) clients.

It follows 150 stocks closely and 400, generally; 10% of the research is generated internally.

The parent company is First American Trust Co. Total assets under management by the parent company, subsidiaries and affiliates are $2.5 billion.

Clients include Metro Nashville, David Lipscomb College Endowment, Tennessee Performing Arts Foundation and United Cities Gas.

Charles H. Robinson is chief investment officer and client contact.

## Legg Mason Capital Management Inc.

*7 E. Redwood St., Baltimore, Md. 21202; (301) 539-3400*

| | |
|---|---|
| Total assets managed | $226,000,000 |
| Tax-exempt assets managed | $142,000,000 |
| 401(k) assets managed | $3,000,000 |
| Tax-exempt clients | 148 |
| Types of accounts managed | CEF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 18 |

Legg Mason Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is a value method that purchases securities that are undervalued in relation to long-term earning power or asset value.

Its fixed-income approach is driven by interest rate anticipation, sector analysis and security selection.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

There are six 401(k) clients.

The parent company is Legg Mason Inc. Total assets under management by the parent company, subsidiaries and affiliates are $4.8 billion.

William H. Miller, vice president, is chief investment officer. Buck Newsome, vice president, is client contact.

## Lehman Management Co.

*55 Water St., 34th Floor, New York, N.Y. 10041; (212) 668-5443*

| | |
|---|---|
| Total assets managed | $16,077,000,000 |
| Tax-exempt assets managed | $11,469,000,000 |
| Mortgage-backed assets managed | $900,000,000 |
| Tax-exempt clients | 210 |
| Types of accounts managed | CEFG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 20 |
| Size of research staff | 11 |

Lehman Management Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach for corporate funds is to purchase growth-oriented securities that sell at reasonable prices. For Taft-Hartley funds, the emphasis is on a contrarian, value-oriented approach.

For fixed income, it offers passive and active strategies. Its active approach is conservative, emphasizing high-quality intermediate securities and minimizing interest rate risk. The index products are customized, emphasizing controlled maturity movements while adding value through security selection and sector rotation.

The asset mix Jan. 1 was 35% stocks, 48.2% bonds, 9% cash and 7.8% in mortgage-backed securities; $1.5 billion was in bond index funds and $100 million in immunized bond portfolios.

The parent company is American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

C. Charles Hetzel and Coleman C. Brandt are the chief investment officers for corporate and Taft-Hartley funds respectively. H. Scott Higgins, executive vice president, is client contact.

## Lehndorff & Babson Real Estate Counsel

*2501 Cedar Springs, Suite 550, Dallas, Texas 75201; (214) 855-5800*

| | |
|---|---|
| Total assets managed | $1,500,000,000 |
| Tax-exempt assets managed | $670,000,000 |
| Real estate assets managed | $670,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CJG |
| Minimum separate account | $25,000,000 |

Lehndorff & Babson Real Estate Counsel is a real estate manager.

It invests in larger office and retail properties chosen for the potential to create value through management during a five- to 15-year holding period.

All assets Jan. 1 were in equity real estate.

Clients include Atlantic Richfield, Dow Chemical, Dresser Industries and Eastman Kodak.

M. Thomas Lardner, chairman, is chief investment officer. James S. White, executive vice president, is client contact.

## Leith Wheeler Management

*Box 10365, Suite 1930, 609 Granville St., Vancouver, British Columbia V7Y 1G5; (604) 683-3391*

| | |
|---|---|
| Total assets managed | $185,000,000 |
| Tax-exempt assets managed | $127,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CEFU |
| Minimum separate account | $550,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Leith Wheeler Management Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e and Graham & Dodd principles in a value approach.

Its fixed-income approach is passive, using interest rate anticipation and sector analysis. Managers generally invest in short- and medium-term, high-quality, fixed-income securities.

The asset mix Jan. 1 was 35% Canadian stocks, 40% bonds, 15% cash and 10% U.S. stocks.

The parent company is Leith Wheeler Management. Total assets under management by the parent, subsidiaries and affiliates are $255 million.

Murray Leith, president, is chief investment officer. B. Scott, vice president, is client contact.

## Leland O'Brien Rubinstein Associates Inc.

*P.O. Box 71970, Los Angeles, Calif. 90071-0970; (213) 614-3173*

| | |
|---|---|
| Total assets managed* | $22,000,000,000 |
| Tax-exempt assets managed* | $22,000,000,000 |
| Tax-exempt clients | 66 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |
| Size of research staff | 8 |

*P&I Age estimate

Leland O'Brien Rubinstein Associates Inc. is a portfolio insurance and hedged risk manager.

Options, stock index futures and fixed-income futures are used in its strategies.

Pensions & Investment Age estimates the firm handled $22 billion in portfolio insurance coverage as of Jan. 1.

All research is internally generated.

Clients include Gates, Hughes Aircraft, Manville and TWA.

Larry D. Edwards, president, is chief investment officer. John W. O'Brien, chairman and chief executive officer, is client contact.

## The Leonard Management Group

*407 W. Avon Road, Avon, Conn. 06001; (203) 673-3237*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CEG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

The Leonard Management Group is an equity, fixed-income and balanced manager.

The equity approach emphasizes Graham & Dodd analysis, low p/e stocks and market timing in a value discipline applied for security selection using a bottom-up methodology.

The fixed-income approach adjusts security maturities as the interest rate outlook and yield curve changes. The firm seeks overlooked bonds that produce the highest risk-adjusted rates of return.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash. Options are used.

James P. Leonard is chief investment officer and client contact.

## Lerner Investment Management Inc.

*1410 Two Galleria Tower, No. 20, Dallas, Texas 75240; (214) 980-1800*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Types of accounts managed | C |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 1 |

Lerner Investment Management Inc. is an equity manager.

Its equity approach emphasizes growth stock and market timing. The firm concentrates on earnings, revenues and backlog growth.

Julian A. Lerner is chief investment officer and client contact.

## Lesesne & Co. Inc.

*3414 Peachtree Road N.E., Suite 820, Atlanta, Ga. 30326; (404) 261-8200*

| | |
|---|---|
| Total assets managed | $50,000,000 |
| Tax-exempt assets managed | $43,000,000 |
| Tax-exempt clients | 45 |
| Types of accounts managed | CFJ |
| Minimum separate account | $250,000 |

Lesesne & Co. Inc. is a balanced manager.

Its equity approach emphasizes market timing; its fixed-income approach is driven by interest rate anticipation.

The asset mix Jan. 1 was 99% stocks and 1% bonds.

Brannon B. Lesesne Jr., president, is chief investment officer. Mr. Lesesne and Thomas N. Eddins Jr., executive vice president, are client contacts.

## Lexington Management

*Park 80 West, Plaza Two, Saddle Brook, N.J. 07662; (201) 845-7300*

| | |
|---|---|
| Total assets managed | $1,779,000,000 |
| Tax-exempt assets managed | $650,000,000 |
| 401(k) assets managed | $15,000,000 |
| Mortgage-backed assets managed | $35,000,000 |
| Tax-exempt clients | 41 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 10 |

Lexington Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach stresses Graham & Dodd analysis. Seeking to preserve capital and earn a real rate of return, it will not own an equity unless it anticipates earning at least twice the risk-free rate.

Its fixed-income approach uses interest rate anticipation and duration to manage portfolios; its neutral position is very defensive.

The asset mix Jan. 1 was 49% stocks, 30% bonds and 21% cash.

Options are used.

Seventy-five stocks are followed closely and 200, generally; 85% of research is generated internally.

William S. Stack is chief investment officer. Joseph Barcic Jr., chief operating officer, is client contact.

## Leylegian Investment Management

*855 Oak Grove Ave., Menlo Park, Calif. 94025; (415) 325-1055*

| | |
|---|---|
| Total assets managed | $220,000,000 |
| Tax-exempt assets managed | $220,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Leylegian Investment Management is an equity, fixed-income and balanced manager.

Its equity approach uses growth and low p/e stocks and sector rotation techniques. It uses a global top-down economic overview with heavy industry emphasis and utilizing a sell discipline.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 80% stocks and 20% cash.

Jack H. Leylegian II is chief investment officer and client contact.

### 25 largest GIC managers

| Managers | $ millions |
|---|---|
| Metropolitan Life Insurance | 14,800 |
| Prudential Asset Management Group | 12,368 |
| Aetna Life Insurance | 12,279 |
| Equitable Life Assurance | 11,298 |
| Travelers Cos. | 8,556 |
| John Hancock Financial Services | 6,643 |
| New York Life Insurance | 5,062 |
| Provident National Assurance | 3,235 |
| The Principal | 3,160 |
| The New England | 2,457 |
| Mass Mutual Life Insurance | 2,142 |
| CIGNA Asset Advisers | 1,825 |
| Continental Assurance | 1,749 |
| Connecticut Mutual Life Insurance | 1,564 |
| Pacific Financial Research | 1,459 |
| MONY Financial Services | 1,315 |
| Crown Life Insurance | 1,300 |
| State Mutual | 1,235 |
| Lincoln National Pension Insurance | 1,114 |
| Mutual Benefit Life Insurance | 1,080 |
| UNUM Life Insurance | 1,076 |
| Hartford Life Insurance | 826 |
| Southwestern Life Insurance | 573 |
| Confederation Life Insurance | 484 |
| General American Life Insurance | 471 |
| **Total** | **98,071** |

The master trust directory will be published Sept. 7.

## Lieber & Co.

*550 Mamaroneck Ave., Harrison, N.Y. 10528; (914) 698-5711*

| | |
|---|---|
| Total assets managed | $2,603,000,000 |
| Tax-exempt assets managed | $717,000,000 |
| Tax-exempt clients | 43 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 10 |

Lieber & Co. is an equity manager.

Its equity approach emphasizes growth, emerging growth and low p/e stocks. The firm is fundamentally research-oriented, concentrating on income and/or undervalued issues.

The asset mix Jan. 1 was 91% stocks and 9% cash.

It follows 500 stocks closely and 500, generally; all research is generated internally.

Clients include Texas Instruments, Rogers, Casey & Barksdale and Minnesota State Board of Investment.

Stephen A. Lieber, senior partner, is chief investment officer. Nola M. Falcone, general partner, is client contact.

## Lieberman Cos.

*199 Middle Neck Road, Great Neck, New York, N.Y. 11021; (516) 466-5565*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | $120,000,000 |
| Real estate assets managed | $120,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Lieberman Cos. is a real estate manager.

Its real estate approach uses current income plus capital appreciation.

The asset mix Jan. 1 was 80% equity real estate and 20% in mortgages.

There was $96 million in equity real estate and $24 million in mortgages.

Bruce R. Lieberman, president, is chief investment office and client contact.

## Life Insurance Co. of Georgia

*P.O.Box 105006, Atlanta, Ga. 30348; (404) 522-2646*

| | |
|---|---|
| Total assets managed | $1,500,000,000 |
| Tax-exempt assets managed: | |
| Total | $300,000,000 |
| Pooled accounts | $33,000,000 |
| GICs | $80,000,000 |
| Annuities | $40,000,000 |
| Other | $147,000,000 |
| Types of accounts managed | CG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Life Insurance Co. of Georgia is an equity, fixed-income and balanced manager.

Its equity approach is quantitative. Its economic sector emphasis is based on a relative valuation model of expectational earnings and historical data. Stocks are selected according to a model that emphasizes cash flow analysis.

Its fixed-income approach uses interest rate anticipation and analyzes the shape of the yield curve and sector spreads for risk/return potentialities.

The separate accounts asset mix Jan. 1 was 83% stocks, 4% bonds and 13% cash.

The parent company is The Investment Center.

Jim Shirak, senior vice president and managing director, is client contact.

## The Life Insurance Co. of Virginia

*6610 W. Broad St., Richmond, Va. 23230; (804) 281-6000*

| | |
|---|---|
| Total assets managed | $2,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $663,000,000 |
| Pooled accounts | $121,000,000 |
| GICs | $267,000,000 |
| Annuities | $44,000,000 |
| Other | $231,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | C |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

The Life Insurance Co. of Virginia is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using a computer screening technique designed to select stocks with attrac-

tive risk/reward characteristics.

Its fixed-income approach uses sector and credit analysis.

The separate accounts asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

Fixed-income futures are used.

The parent company is Combined International. Total assets under management by the parent, subsidiaries and affiliates are $5 billion.

J. Garnett Nelson is chief investment officer.

## Life Investors Management

*4333 Edgewood Road N.E., Cedar Rapids, Iowa 52499; (319) 398-8556*

| | |
|---|---|
| Total assets managed | $1,700,000,000 |
| Tax-exempt assets managed | $44,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | C |
| Minimum separate account | $4,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 6 |

Life Investors Management Corp. is an equity and fixed-income manager.

Its equity approach is top-down, emphasizing the macroeconomic outlook for asset allocation and buying individual names based on value and sectors. Market timing is used.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 95% stocks and 5% bonds.

The parent company is Life Investors. Assets under management by the parent company, subsidiaries and affiliates total $2.8 billion.

Ed Ingraham, executive vice president, is chief investment officer. David R. Halfpap, vice president, is client contact.

## Lincoln Capital Management

*200 S. Wacker Drive, Chicago, Ill. 60606; (312) 559-2880*

| | |
|---|---|
| Total assets managed | $6,042,000,000 |
| Tax-exempt assets managed | $5,996,000,000 |
| Tax-exempt clients | 51 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 10 |

Lincoln Capital Management Co. is an equity, fixed-income, balanced, and bond index manager.

Its equity approach emphasizes growth stock. Its fixed-income approach is active with an assured minimum return; interest rate anticipation is employed.

The asset mix Jan. 1 was 33% stocks and 67% bonds.

There was $664 million in bond index funds and $1.2 billion in dedicated/immunized bond portfolios.

It follows 50 stocks closely and 370, generally; 75% of research is generated internally.

Clients include AT&T, General Motors, Virginia and Ameritech.

J. Parker Hall III, president, is client contact.

## Lincoln National Pension Insurance Co.

*P.O. Box 1110, 1300 S. Clinton St., Fort Wayne, Ind. 46801; (219) 427-4878*

| | |
|---|---|
| Total assets managed | $4,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,600,000,000 |
| Pooled accounts | $377,000,000 |
| GICs | $1,114,000,000 |
| Annuities | $241,000,000 |
| Other | $2,868,000,000 |
| 401(k) and 457 assets managed | $100,000,000 |
| Tax-exempt clients | 49 |
| Types of accounts managed | CG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 11 |

Lincoln National Pension Insurance Co. is an equity, fixed-income, balanced, international and dedicated bonds/annuities manager.

Its equity approach is quantitative, focusing on growth stock and emerging growth through emphasis on low p/e qualities.

Its fixed-income approach is driven by interest rate anticipation. Returns are maximized by shifting maturities in only one of four components, emphasizing value sectors and swapping issues to take advantage of spreads.

The separate accounts asset mix Jan. 1 was 55% stocks, 24% bonds, 5.5% cash, 0.5% mortgages and 15% other.

The parent company is Lincoln National Corp. Total assets managed by the parent company, subsidiaries and affiliates are $13.149 billion.

Robert Crispin, executive vice president, is chief investment officer. Bill L. Sanders, vice president, is client contact.

## Lingo Capital Management

*3200 West End Ave. Suite 405, Nashville, Tenn. 37203; (615) 292-9546*

| | |
|---|---|
| Total assets managed | $9,000,000 |
| Tax-exempt assets managed | $600,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

Lingo Capital Management is an equity, fixed-income and balanced manager.

Its equity approach is quantitative. The firm uses successive, statistical screens of its 2,700-stock data base to select equities that meet its rigorous decision criteria.

Its fixed-income approach uses a statistical model to anticipate interest rate trends. Fixed-income investments are selected only when rates are stable or declining.

The asset mix Jan. 1 was 70% stocks, 10% bonds and 20% cash.

It follows 2,700 stocks; all of the research is generated internally.

Clients are Mid State Urological Corp. and Stolman Cos.

Kenneth H. Lingo is chief investment officer and client contact.

## Lipper Analytical Services

*60 New England Ave., Summit, N.J. 07901; (201) 233-8100*

| | |
|---|---|
| Total assets managed | $142,000,000 |
| Tax-exempt assets managed | $113,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 25 |

Lipper Analytical Services Inc. invests exclusively in investment companies, including mutual funds and closed-end funds.

Its equity approach emphasizes, within the parameters of each account, achieving a broad diversification of investment styles across domestic and international equities. Specialty funds are used to stress particular sectors.

Its fixed-income approach normally includes money market instrument funds. On occasion, either high- or low-quality long-term bond funds are utilized.

All tax-exempt assets Jan. 1 were in investment companies.

A. Michael Lipper, president, is chief investment officer. Henry Shilling, director of marketing, is client contact.

## Liquidity Fund Investment

*1900 Powell St., No. 730, Emeryville, Calif. 94608; (415) 652-1462*

| | |
|---|---|
| Total assets managed | $67,000,000 |
| Tax-exempt assets managed | $42,000,000 |
| Real estate assets managed | $42,000,000 |
| Tax-exempt clients | 145 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |

Liquidity Fund Investment Corp. is a real estate manager.

It purchases real estate at 30% below net asset value by buying real estate limited partnerships in the secondary market.

The asset mix Jan. 1 was 100% equity real estate.

There was $42 million in equity real estate.

Clients include Western Airlines Pilots Association and Centerre Trust.

Brent Donaldson, president, is chief investment officer and client contact.

## Loeb Partners Realty

*521 Fifth Ave., New York, N.Y. 10175; (212) 883-0371*

| | |
|---|---|
| Total assets managed | $375,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| Real estate assets managed | $150,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |

Loeb Partners Realty is a real estate asset manager.

Its invests in existing income-producing properties structured to the individual needs and requirements of investors.

All assets were in equity real estate Jan. 1.

The parent company is Loeb Holding. Total assets under management by the parent company, subsidiaries and affiliates are $750 million.

Joseph S. Lesser is chief investment officer. Gary L. Naughton is client contact.

## Lomas Capital Management

*2001 Bryan Tower, P.O. Box 655644, Dallas, Texas 75265; (214) 746-7490*

| | |
|---|---|
| Total assets managed | $55,000,000 |
| Tax-exempt assets managed | $55,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

Lomas Capital Management Co. is an equity, fixed-income and balanced manager.

Its value-oriented, disciplined and long-term equity approach identifies companies with fundamentals representing underpriced value. Portfolios are constructed and adjusted based on risk, economic and cyclical considerations.

Its fixed-income approach is adjusted and monitored based on quality, maturity, duration, market spreads and interest rate variables.

The asset mix Jan. 1 was 58% stocks and 42% bonds.

The parent company is Lomas & Nettleton Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $22.68 billion.

Clark P. Manning, executive vice president, is chief investment officer and client contact.

## Lomas & Nettleton Advisory Group Inc.

*2001 Bryan Tower, P.O. Box 655644, Dallas, Texas 75265; (214) 746-8296*

| | |
|---|---|
| Total assets managed | $602,000,000 |
| Tax-exempt assets managed | $602,000,000 |
| Real estate assets managed | $163,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CEG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |

Lomas & Nettleton Advisory Group Inc. is a real estate manager.

In real estate, it provides screening and underwriting of proposed real estate investment and asset management.

The asset mix Jan. 1 was 27% mortgages and 73% equity-oriented debt.

There was $439 million in equity-oriented debt.

The parent company is Lomas & Nettleton Financial Corp. Total assets under management by the parent company, subsidiaries and affiliates are $22.7 billion.

Clients include Teacher Retirement System of Texas and Lomas & Nettleton Investment Partners.

David A. Ridley, senior vice president, is chief investment officer and client contact.

## Lomas & Nettleton Institutional Mortgage Fund I & II Ltd.

*2001 Bryan Tower, P.O. Box 655644, Dallas, Texas, 75265; (214) 746-7317*

| | |
|---|---|
| Total assets managed | $70,000,000 |
| Tax-exempt assets managed | $70,000,000 |
| Tax-exempt clients | 93 |
| Types of accounts managed | CEG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 1 |

Lomas & Nettleton Institutional Mortgage Fund I & II Ltd. is an equity-oriented debt manager.

All assets Jan. 1 were in equity-oriented debt.

The parent company is Lomas & Nettleton Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $22.68 billion.

Allen Gunter, senior vice president, is chief investment officer. Kenn Stearns, assistant vice president, is client contact.

## Lombard Odier Holdings U.K. Ltd.

*Norfolk House, 13 Southampton Place, London, England WC1A 2AJ; 01-831-2350*

| | |
|---|---|
| Total assets managed | $1,930,000,000 |
| Tax-exempt assets managed | $139,000,000 |
| International assets managed | $139,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 8 |

Lombard Odier Holdings U.K. Ltd. is an equity, fixed-income and international manager.

Its equity approach emphasizes rotating among regions and then countries within. The equities have growth orientation.

In its fixed-income approach assesses all opportunities and past behavior under various economic conditions. Country allocation follows within which interest rate anticipation determines portfolio composition.

The asset mix Jan. 1 was 67% stocks and 33% bonds.

There was $93 million in foreign stocks, $46 million in foreign bonds. Fixed-income futures are used.

The parent company is Lombard Odier & Cie. Total assets under management by the parent company, subsidiaries and affiliates are $15 billion.

Robert van Maasdijk, joint managing director, is chief investment officer. Karin Bonding is client contact.

## London Life Insurance Co.

*255 Dufferin Ave., London, Ontario N6A 4K1; (519) 432-5281*

| | |
|---|---|
| Total assets managed | $6,740,000,000 |
| Tax-exempt assets managed: | |
| Total | $814,000,000 |
| For subsidiaries of U.S. firms | $51,000,000 |
| Real estate assets managed | $63,000,000 |
| Tax-exempt clients: | |
| Total | 274 |
| U.S. subsidiaries | 26 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 2 |

London Life Insurance Co. is an equity, fixed-income, balanced and mortgage manager.

Its equity approach emphasizes a flexible balance between sector rotation and market timing. It is primarily a pooled fund manager.

Its fixed-income approach uses interest rate anticipation. Managers focus on active trading to generate superior returns while maintaining security of principal; managers deal primarily in government bonds.

The asset mix Jan. 1 was 38% Canadian stocks, 42% bonds, 5% cash and 15% mortgages.

There was $63 million in mortgages.

The parent company is Lonvest Inc. Total assets under management by the parent company, subsidiaries and affiliates is $7.03 billion.

R.T.M. Allan Sr., vice president-investments, is chief investment officer. R.B. McCarthy, investment officer, is client contact.

## Longfellow Investment Management Co.

*160 Federal St., Boston, Mass. 02110; (617) 439-3080*

| | |
|---|---|
| Total assets managed | $7,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| Mortgage-backed assets managed | $500,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Longfellow Investment Management Co. is an equity and fixed-income manager.

Its equity approach seeks to produce above market returns at lower volatility and correlation through closed-end funds, stock index futures and publicly announced tender offers and mergers.

BURNS FRY AND TIMMINS INC.

subsidiary of

BURNS FRY LIMITED

Institutional Market Makers

in

Canadian Fixed Income Securities

BURNS FRY AND TIMMINS INC

Toronto 416-365-4100

New York 212-344-3870

Wall Street Plaza, New York, N.Y. 10005

Its fixed-income approach seeks to earn consistent real returns by maintaining portfolio durations of two to three years, focusing on high quality and investing in such sectors as floating-rate, mortgage and auto loan securities.

The asset mix Jan. 1 was 46% bonds, 5% cash, 26% mortgage-backed securities and 23% floating-rate securities.

Stock index futures are used.

John Ciarleglio III and David W. Seeley, principals, are chief investment officers and client contacts.

### Loomis, Sayles & Co.Inc.

*1 Financial Center, Boston, Mass. 02111; (617) 482-2450*

| | |
|---|---|
| Total assets managed | $20,168,000,000 |
| Tax-exempt assets managed | $16,028,000,000 |
| Tax-exempt clients | 511 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 56 |
| Size of research staff | 27 |

Loomis, Sayles & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity and fixed-income approach is decentralized in regional offices resulting in a broad range of investment styles. The firm's research is centralized.

The asset mix Jan. 1 was 45% stocks, 50% bonds and 5% cash.

It follows 400 stocks closely; 75% of research is generated internally.

The parent company is The New England. Total assets under management by the parent company, subsidiaries and affiliates are $37.273 billion.

Robert L. Kemp is chief investment officer. Dugal Thomas, vice president and marketing director, is client contact.

### Lord, Abbett & Co.

*63 Wall St., New York, N.Y. 10005; (212) 425-8720*

| | |
|---|---|
| Total assets managed | $8,596,000,000 |
| Tax-exempt assets managed | $3,210,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CEG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 26 |

Lord, Abbett & Co. is an equity, fixed-income, balanced and cash manager.

Its equity approach emphasizes low p/e ratios, dividends and net asset value of issues relative to corresponding ratios for the S&P 500.

Its fixed-income approach focuses on non-traditional management with emphasis on lower-rated and convertible issues.

The asset mix Jan. 1 was 90% stocks, 4% bonds and 6% cash.

In *Pensions & Investment Age*'s annual survey of investment advisory firms, "tax-exempt assets" refers to U.S. institutional tax-exempt assets only and does not include individuals, IRAs or Keogh plans.

It follows 400 stocks closely and 400, generally; 70% of research is generated internally.

John M. McCarthy, co-managing partner, is chief investment officer. Marilyn Fee White, director-pension marketing, is client contact.

### Lotsoff Capital Management

*20 N. Wacker Drive, Suite 3200, Chicago, Ill. 60606; (312) 368-1442*

| | |
|---|---|
| Total assets managed | $220,000,000 |
| Tax-exempt assets managed | $115,900,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Lotsoff Capital Management is a fixed-income manager with special expertise in futures and options.

A quarter of the research is generated internally.

Northwestern Mutual Life is a partner.

Clients include National Association of Automobile Dealers, Scovill Waste Management and Equifax.

Seymour K. Lotsoff is chief investment officer. Karen A. Zelden, director-client relations, is client contact.

### Lowe, Brockenbrough, Tierney & Tattersall

*6630 W. Broad St., Lawyers Title Building, Suite 102, Richmond, Va. 23230; (804) 288-0404*

| | |
|---|---|
| Total assets managed | $1,521,000,000 |
| Tax-exempt assets managed | $1,396,000,000 |
| Mortgage-backed assets managed | $400,000,000 |
| Tax-exempt clients | 78 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 2 |

Lowe, Brockenbrough, Tierney & Tattersall is an equity, fixed-income and balanced manager.

Its equity approach uses industry concentration to add value and focuses on stock with above-average growth and below-average risk to maximize returns while preserving capital. Sector rotation is used.

The fixed-income approach emphasizes sector and maturity selection.

The asset mix Jan. 1 was 30% stocks, 30% bonds, 10% cash and 30% mortgage-backed securities.

It follows 200 stocks closely and 1,000, generally; 25% of the research is generated internally.

Clients include Noxell, Memphis, Teamsters Joint Council No. 83 and University of Southern California.

Thomas Tierney and Fred Tattersall, managing directors, are chief investment officers. Charles C. Field, vice president and director of marketing, is client contact.

### Lynch & Mayer Inc.

*650 Fifth Ave., New York, N.Y. 10019; (212) 246-7760*

| | |
|---|---|
| Total assets managed | $732,000,000 |
| Tax-exempt assets managed | $534,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CEF |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 3 |

Lynch & Mayer Inc. is an equity manager.

Its equity approach uses Graham & Dodd analysis. Stock selection focuses on companies with a positive fundamental change and with the potential for a 50% stock price appreciation over an 18-month time horizon.

The asset mix Jan. 1 was 96% stocks and 4% cash.

It follows 250 stocks closely and 600, generally; 60% of research is generated internally.

The parent company is Lincoln National Corp. Total assets under management by the parent, subsidiaries and affiliates are $13.149 billion.

Clients include J.P. Stevens, Bechtel Power, Morton-Thiokol and University of North Carolina.

Eldon C. Mayer, president, is chief investment officer. Beth Geraghty, vice president-client service and marketing, is client contact.

m

### MacKay-Shields Financial

*551 Fifth Ave., New York, N.Y. 10176; (212) 210-0400*

| | |
|---|---|
| Total assets managed | $4,500,000,000 |
| Tax-exempt assets managed | $4,300,000,000 |
| Mortgage-backed assets managed | $500,000,000 |
| Tax-exempt clients | 79 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 2 |

MacKay-Shields Financial Corp. is an equity, fixed-income, balanced, convertibles and index fund manager.

Its equity approach uses growth and emerging growth stocks and sector concentration. It concentrates on strong relative earnings and clearly undervalued assets.

Its active fixed-income approach is risk-controlled, using sector analysis and moderate duration adjustments. It also offers enhanced index fund management.

The asset mix Jan. 1 was 39% stocks, 57% bonds and 4% cash; $214 million was in bond index funds.

It follows 200 stocks closely and 1,500, closely; 80% of research is generated internally.

The parent company is New York Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $33.3 billion.

Clients include Westinghouse, Xerox, General Motors and Litton.

Client contacts are Christina Seix, president, for bonds; William H. Todd, managing director, for equities; and Christopher Lewis, managing director, for convertibles.

### Mackenzie Financial Corp.

*150 Bloor St. W., Suite 400, Toronto, Ontario M5S 2X9; (416) 922-5322*

| | |
|---|---|
| Total assets managed | $3,041,000,000 |
| Tax-exempt assets managed: | |
| Total | $941,000,000 |
| For subsidiaries of U.S. firms | $230,000,000 |
| Tax-exempt clients: | |
| Total | 16 |
| U.S. subsidiaries | 7 |
| Types of accounts managed | CE |
| Minimum separate account | $7,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 5 |

Mackenzie Financial Corp., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is based on Graham & Dodd analysis, low p/e stocks, sector rotation and market timing.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 85% stocks, 5% cash and 10% U.S. stocks.

It follows 500 stocks closely and 2,000, generally; 75% of the research is generated internally.

Client contacts are Sandra Graup and Margo MacGougan.

### Madison Investment Advisors Inc.

*402 S. Gammon Place, Madison, Wis. 53719; (608) 833-6300*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $90,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

Madison Investment Advisors Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses market timing after which a value approach is used.

Its fixed-income approach uses interest rate anticipation to lengthen or shorten maturities.

Its asset mix Jan. 1 was 40% stocks, 30% bonds and 30% cash.

It generates 40% of research internally.

Frank E. Burgess, president, is chief investment officer. Michael J. Schlageter is client contact.

### Magten Asset Management

*35 E. 21st St., New York, N.Y. 10010; (212) 529-6600*

| | |
|---|---|
| Total assets managed | $642,000,000 |
| Tax-exempt assets managed | $367,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |

Magten Asset Management Corp. is a fixed-income manager investing in diversified portfolios of high-yield securities of issuers in weak financial condition or experiencing poor operating results. These investments include companies with substantial capital needs or negative net worth, which are cyclically depressed or downgraded by the rating services.

The asset mix Jan. 1 was 5% stocks, 90% bonds and 5% cash.

It follows 125 stocks closely and 300, generally; 75% of the research is generated internally.

Clients include GM, Niagara Mohawk Power, Primark and Mid-Jersey Trucking Industry Local 701.

Talton R. Embry, managing director, is chief investment officer. Barbara Justiz, managing director-new business development and client service, is client contact.

### Maine National Bank

*400 Congress St., Portland, Maine 04104; (207) 775-1000*

| | |
|---|---|
| Total assets managed | $752,000,000 |
| Tax-exempt assets managed: | |
| Total | $443,000,000 |
| Commingled | $42,000,000 |
| Separate | $401,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Maine National Bank is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis. Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 51% stocks, 39% bonds and 10% cash.

There are 10 401(k) and 457 plan clients.

It follows 100 stocks closely and 300 generally; 10% of research is generated internally.

The parent company is Bank of New England Corp. Assets under management by the parent, subsidiaries and affiliates exceed $10 billion.

Clients include Maine State Retirement, Bangor Hydro Electric and Shriners Endowment.

John L. Simpson, senior vice president, is chief investment officer. Robert Chase, vice president, is client contact.

### Managed Investments Ltd.

*555 10104 103rd Ave., Edmonton, Alberta T5J 0H8; (403) 423-3544*

| | |
|---|---|
| Total assets managed | $250,000,000 |
| Tax-exempt assets managed: | |
| Total | $200,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Real estate assets managed | $400,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CFU |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 3 |

Managed Investments Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using Graham & Dodd analysis and low p/e stocks.

Its fixed-income approach is driven by interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 20% Canadian stocks, 60% bonds, 14.8% cash, 0.2% mortgages and 5% U.S. stocks.

It follows 100 stocks closely and 500, generally; 20% of research is generated internally.

R. Bruce Sansom is chief investment officer and client contact.

### Management Asset Corp.

*253 Post Road West, P.O. Box 5006, Westport, Conn. 06881; (203) 226-4768*

| | |
|---|---|
| Total assets managed | $1,000,000,000 |
| Tax-exempt assets managed | $833,000,000 |
| 401(k) assets managed | $12,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |

Management Asset Corp. is an equity manager.

It uses a bottom-up approach, emphasizing companies in sound financial condition with low price in relation to historic earnings and broad diversification.

All assets were in stocks Jan. 1.

There are four 401(k) clients.

It follows 200 to 300 stocks closely and 6,500, generally; all research is generated internally.

Clients include Xerox, 3M, Combustion Engineering and Kidde.

Leonard M. Heine Jr., president, is chief investment officer and client contact.

### Manning & Napier Advisors

*1 East Ave., Rochester, N.Y. 14604; (716) 325-6880*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed | $1,750,000,000 |
| International assets managed | $150,000,000 |
| Types of accounts managed | CEFJG |
| Size of research staff | 9 |

Manning & Napier Advisors Inc. is an equity and balanced manager.

Its equity approach uses specific selection criteria for securities and industries. Its fixed-income approach uses interest rate anticipation.

There was $150 million in foreign stocks Jan. 1.

William Manning, president, is chief investment officer. William J. Napier, senior vice president, is client contact.

### Manufacturers Hanover Investment Corp.

*600 Fifth Ave., New York, N.Y. 10020; (212) 957-0760*

| | |
|---|---|
| Total assets managed | $20,655,000,000 |
| Tax-exempt assets managed | $17,713,000,000 |
| Real estate assets managed | $1,240,000,000 |
| Tax-exempt clients | 187 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 32 |
| Size of research staff | 9 |

Manufacturers Hanover Investment Corp. is an equity, fixed-income, balanced, international, futures, op-


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tions, indexing and venture capital manager.

Its equity approach identifies attractive sectors and industries based on economic and market projections.

It offers passive (indexed) and active fixed-income management. The active strategy uses relative market sector valuations and portfolio duration adjustments in response to the interest rate outlook.

Options, stock index futures and bond index futures are used.

The asset mix Jan. 1 was 12.5% stocks, 58.2% bonds, 23.3% cash, 0.1% equity real estate and 5.9% mortgages; $9 million was in equity index funds, $47 million in bond index funds and $853 million in dedicated or immunized bond portfolios.

The parent company is Manufacturers Hanover Trust Co. Assets under management by the parent, subsidiaries and affiliates total $26.13 billion.

Clients include California State Teachers, Mississippi Public Employees and NYNEX.

Victor J. Melone, president, is chief investment officer. John A. Spiezia, vice president, is client contact.

### Manufacturers Life Insurance Co.

*200 Bloor St. E., Toronto, Ontario M4W 1E5; (416) 926-6897*

| | |
|---|---|
| Total assets managed | $1,237,000,000 |
| Tax-exempt assets managed | $1,237,000,000 |
| Tax-exempt clients | 4,200 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Manufacturers Life Insurance Co., a Canadian firm, is an equity, fixed-income and guaranteed investment/short-term securities manager.

Its equity approach is to identify companies that have earnings growth rates greater than the market and with market valuations that don't reflect the growth rate.

Its fixed-income approach uses interest rate anticipation. The firm invests in long-term bonds and maintains a fully invested position as rates fall, raising the cash level when a long-term increase in rates appears imminent.

The asset mix Jan. 1 was 0.7% bonds, 1.1% cash, 8.1% U.S. stocks and 90.1% guaranteed accounts.

Assets under management by Manufacturers Life Insurance, its subsidiaries and affiliates total $14.7 billion.

Clients include Detroit Police and Firemen, Colsa, Emerson Electric and Raleigh Stores.

Trevor Appleby, vice president-U.S. investments, is chief investment officer. Cindy Forbes, director-pension marketing, is client contact.

### Manufacturers National Bank of Detroit

*100 Renaissance Tower, 8th Floor, Detroit, Mich. 48243; (313) 222-9794*

| | |
|---|---|
| Total assets managed | $7,881,000,000 |
| Tax-exempt assets managed | |
| Total | $1,649,000,000 |
| Commingled | $515,000,000 |
| Separate | $1,134,000,000 |
| 401(k) and 457 assets managed | $142,000,000 |
| Real estate assets managed | $14,000,000 |
| Tax-exempt clients | |
| Commingled | 491 |
| Separate | 119 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 10 |

Manufacturers National Bank of Detroit is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes growth and low p/e stocks; its fixed-income approach, interest rate anticipation and sector analysis. Stock index futures are used.

For real estate, it uses REITs and private deals.

The asset mix Jan. 1 was 45.5% stocks, 44.2% bonds, 9.1% cash and 1.2% equity real estate; there was $300 million in equity index funds.

There are 452 401(k) and 457 plan clients.

The bank follows 200 stocks closely and 500, generally; 70% of research is generated internally.

The parent company is Manufacturers National Corp.

Clinton P. Schloop, senior vice president and investment officer, is chief investment officer. James M. Dawson, second vice president, is client contact.

### Marathon Asset Management Co.

*1250 Prospect St., Suite 300, P.O. Box 9117, La Jolla, Calif. 92038; (619) 459-0811*

| | |
|---|---|
| Total assets managed | $50,000,000 |
| Tax-exempt assets managed | $39,000,000 |
| Tax-exempt clients | 2 |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Marathon Asset Management Co. is an equity and balanced manager.

Its equity approach is value-oriented and risk averse. Selection focuses on stocks with strong earnings momentum and low p/e. There are strict loss-control disciplines.

Its fixed-income approach is based on the position of interest rates relative to the historical trend.

The firm was established April 1, 1987, when its asset mix was 54% stocks and 46% cash.

Thomas J. Feeney, chairman, and David M. Love, president, are chief investment officers. Mr. Love is client contact.

### Marine Investment Management Co.

*3 S. Old State Capital Plaza, Suite 300, Springfield, Ill. 62701; (217) 753-0300*

| | |
|---|---|
| Total assets managed | $1,123,008,000 |
| Tax-exempt assets managed | $813,000,000 |
| Mortgage-backed assets managed | $179,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Marine Investment Management Co. is an equity, fixed-income and balanced manager.

Its equity approach is contrarian, emphasizing Graham & Dodd analysis.

Using interest rate anticipation, its fixed-income approach is a Graham & Dodd carryover. Marine analyzes the economic environment to position maturities, and then actively manages investments within a sector to capitalize on abnormalities.

The asset mix Jan. 1 was 3% stocks, 62.2% bonds, 12.8% cash and 22% mortgage-backed securities.

The parent company is Marine Corp. Assets under management by the parent, subsidiaries and affiliates total $2.52 billion.

George R. Humm, executive vice president, is chief investment officer and client contact.

### Marinvest

*250 Park Ave., New York, N.Y. 10177; (212) 503-6815*

| | |
|---|---|
| Total assets managed | $2,776,000,000 |
| Tax-exempt assets managed | $923,000,000 |
| 401(k) assets managed | $79,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | sw06012 |

Marinvest is an equity, fixed-income, balanced and cash manager.

Its quantitative equity approach emphasizes total return and low-cap portfolios. Its Value-Plus process selects low p/e stocks that meet a combination of screening criteria.

Its fixed-income approach seeks to exceed market performance with market volatility or less. Sector diversification produces additional yield and hedges security risk. The maturity structure changes with interest rates.

The asset mix Jan. 1 was 29.8% stocks, 18.6% bonds and 51.6% cash.

There are three 401(k) clients.

The parent company is Marine Midland Holdings Inc.

Hiram F. Moody Jr. is chief investment officer. W. Denman Zirkle, managing director, is client contact.

Treasury management: Aug. 10


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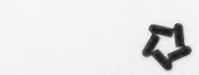

MERCHANTS INVESTMENT COUNSELING, INC.
A Merchants National Company
One Merchants Plaza, Suite 838E, Indianapolis, Indiana 46255

## Maritime Asset Management

*1700 N.E. 26th St., Wilton Manors, Fla. 33305; (305) 563-6829*

| | |
|---|---|
| Total assets managed | $30,000,000 |
| Tax-exempt assets managed | $22,000,000 |
| Real estate assets managed | $1,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Maritime Asset Management Inc. is an equity and balanced manager.

Its equity approach is conservative, using Graham & Dodd analysis, market timing and the buy/sell habits of corporate insiders. For fixed income, it prefers utility stocks over bonds to secure increased dividends and retain value during rising interest rates.

Options are used.

It may place between 5% to 10% of assets into larger real estate limited partnerships or publicly traded REITs.

The asset mix Jan. 1 was 70% stocks, 25% cash and 5% equity real estate.

Barry L. Unterbrink, president, is chief investment officer and client contact.

## Markston International Inc.

*633 Third Ave., 17th Floor, New York, N.Y. 10017; (212) 972-3120*

| | |
|---|---|
| Total assets managed | $251,000,000 |
| Tax-exempt assets managed | $205,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

Markston International Inc., an equity manager, uses Graham & Dodd analysis with growth and low p/e stocks.

Its fixed-income approach is on a total return basis.

The asset mix Jan. 1 was 90.8% stocks and 9.2% cash.

There is one 401(k) client.

The parent company is Mutual Benefit Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $9.8 billion.

John R. Stone, president, is chief investment officer and client contact.

## Marquette Capital Management Corp.

*520 Marquette Ave., Minneapolis, Minn. 55480; (612) 341-8428*

| | |
|---|---|
| Total assets managed | $425,000,000 |
| Tax-exempt assets managed | $250,000,000 |
| 401(k) assets managed | $15,000,000 |
| Mortgage-backed assets managed | $12,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

Marquette Capital Management Corp. is an equity, fixed-income, balanced and GIC manager.

Its equity approach emphasizes low p/e stocks and Graham & Dodd analysis.

Its fixed-income approach is interdisciplinary, emphasizing inefficient sectors to enhance yield. Greater attention is paid to individual opportunities as opposed to relying on massive market timing-related repositioning.

The asset mix Jan. 1 was 20% stocks, 55% bonds, 10% cash, 5% mortgage-backed securities and 10% GICs.

There are 15 401(k) clients.

The parent company is Marquette Bank of Minneapolis. Assets under management by the parent, subsidiaries and affiliates total $800 million.

Clients include Duluth Clinic, MEI Diversified, Minnesota Laborers and Wall Drug.

Gregg S. Hannah, president, is chief investment officer and client contact.

## Marshall & Sullivan Inc.

*1001 Fourth Ave. Plaza, Suite 2717, Seattle, Wash. 98154; (206) 621-9014*

| | |
|---|---|
| Total assets managed | $191,000,000 |
| Tax-exempt assets managed | $90,000,000 |
| Tax-exempt clients | 83 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Marshall & Sullivan Inc. is an equity, fixed-income and balanced manager.

Its equity approach is driven by the selection of stocks that have shown superior and consistent earnings-per-share growth backed by financials and a market position that are conducive to continued growth.

Its fixed-income investments are confined to U.S. government securities with short and intermediate maturities. Specific maturities are purchased to match cash flow requirements.

The asset mix Jan. 1 was 58% stocks, 37% bonds and 5% cash.

Ron Marshall, principal, is chief investment officer. William G. Frey and Ralph Purvis Jr., vice presidents, are client contacts.

## Maryland National Bank

*2 N. Charles St., P.O. Box 995, Baltimore, Md. 21203; (301) 244-1443*

| | |
|---|---|
| Total assets managed | $830,000,000 |
| Tax-exempt assets managed: | |
| Total | $202,000,000 |
| Commingled | $161,000,000 |
| Separate | $41,000,000 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 4 |

Maryland National Bank is an equity, fixed-income, balanced and cash manager.

Its equity approach is fundamental, diversified and value-oriented. The firm focuses on growth stocks. Asset allocation is used to match client objectives. Options are used.

Its fixed-income strategy is formed by the economic outlook, interest rate forecast and inflation.

The asset mix Jan. 1 was 50% stocks, 45% cash and 5% cash; $20 million was in equity index funds and $17 million in bond index funds.

Howard M. Weiss is vice president and chief investment officer. Gordon R. Boardway, senior trust officer, is client contact.

## Mason Hill Asset Management Inc.

*477 Madison Ave., 24th Floor, New York, N.Y. 10022; (212) 421-3100*

| | |
|---|---|
| Total assets managed | $20,000,000 |
| Tax-exempt assets managed | $5,000,000 |
| Mortgage-backed assets managed | $250,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | FJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

Mason Hill Asset Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis; it seeks low p/e stocks. Its fixed-income approach is passive.

The asset mix Jan. 1 was 80% stocks, 5% bonds, 10% cash and 5% mortgage-backed securities.

It follows 200 stocks closely; all research is generated internally.

William W. Strong is chief investment officer and client contact.

*Donald F. Pitcher Jr.*
*Massachusetts Financial*

## Massachusetts Financial Services Co.

*200 Berkeley St., Boston, Mass. 02116; (617) 423-3500*

| | |
|---|---|
| Total assets managed | $14,689,000,000 |
| Tax-exempt assets managed | $3,058,000,000 |
| Mortgage-backed assets managed | $151,000,000 |
| International assets managed | $43,000,000 |
| Tax-exempt clients | 21 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 26 |
| Size of research staff | 17 |

Massachusetts Financial Services Co. is an equity, fixed-income, balanced and international manager.

Its equity approach capitalizes on return differentials between industry groups, rotating sectors and industries where relative price momentum and prospective earnings potential look best.

Its fixed-income strategy is based on yield curve and interest rate analysis.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 31.9% stocks, 55% bonds, 8.1% cash and 5% mortgage-backed securities; $43 million was in foreign bonds.

The parent company is Sun Life Assurance Co. of Canada. Assets under management by the parent, subsidiaries and affiliates total $27.8 billion.

Clients include Alcoa, Los Angeles County Employees, NYNEX and Virginia Supplemental.

Donald F. Pitcher Jr., senior vice president and director-investment counsel division, is chief investment officer. William H. Lynch, vice president and assistant director-investment counsel division, is client contact.

## Mass Mutual Life Insurance

*1295 State St., Springfield, Mass. 01111; (413) 788-8411*

| | |
|---|---|
| Total assets managed | $18,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $8,100,000,000 |
| Pooled accounts | $1,030,000,000 |
| Separate accounts | $221,000,000 |
| GICs | $2,142,000,000 |
| Annuities | $1,113,000,000 |
| Other | $3,594,000,000 |
| 401(k) and 457 assets managed | $630,000,000 |
| Real estate assets managed | $54,000,000 |
| Tax-exempt clients | 752 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 23 |

Mass Mutual Life Insurance Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach emphasizes low p/e stocks and yield, identifying financially strong companies with a history of dividend growth purchased at discounted valuation levels.

Options, stock index futures and fixed-income futures are used.

Its fixed-income approach is based on sector analysis.

It manages current coupon intermediate portfolios structured to provide a positive return in any interest rate environment.

Its real estate approach emphasizes well-diversified portfolios with a balance between cash and price appreciation.

The separate accounts asset mix Jan. 1 was 75% stocks, 10% bonds, 10% cash, 5% equity real estate.

There are 615 401(k) and 457 plan clients.

Richard G. Dooley, executive vice president, is chief investment officer. Peter J. Vogian, senior vice president, is client contact.

## Mathers & Co. Inc.

*125 S. Wacker Drive, Chicago, Ill. 60606; (312) 236-8215*

| | |
|---|---|
| Total assets managed | $616,000,000 |
| Tax-exempt assets managed | $135,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Mathers & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes bottom-up issue selection based on underlying fundamental value and the existence of special-situation characteristics.

Its fixed-income approach is oriented toward analysis of interest rates, equities and the overall economic outlook.

The firm recently began limited use of options and stock index futures.

The asset mix Jan. 1 was 86.6% stocks and 13.4% cash.

Henry G. Van der Eb Jr., president and chief executive officer, is chief investment officer.

Daniel P. Abercrombie, vice president, is client contact.

## Matrix Capital Management

*1 Greenwich Plaza, Greenwich, Conn. 06830; (203) 629-4400*

| | |
|---|---|
| Total assets managed | $570,000,000 |
| Tax-exempt assets managed | $570,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |

Matrix Capital Management Inc. is an equity and balanced manager.

Its equity approach is quantitative, emphasizing sector rotation.

The asset mix Jan. 1 was 99.7% stocks and 0.3% cash.

Matrix follows 1,000 stocks closely and 2,000, generally.

Its parent is Prudential Asset Management Co. Inc., a unit of Prudential Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $177.5 billion.

Michael A. Petrino, senior managing director, is chief investment officer. Lynn Edelman, vice president, is client contact.

## Mawer & Associates Investment Counsel

*Suite 600, 603 Seventh Ave. S.W., Calgary, Alberta T2P 2T5; (403) 262-4673*

| | |
|---|---|
| Total assets managed | $110,000,000 |
| Tax-exempt assets managed: | |
| Total | $40,000,000 |
| For subsidiaries of U.S. firms | $14,000,000 |
| Tax-exempt clients: | |
| Total | 17 |
| U.S. subsidiaries | 5 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |

Mawer & Associates Investment Counsel, a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach emphasizes low p/e stocks and Graham & Dodd analysis. Value takes precedence over diversification, and securities must meet minimum criteria such as the price paid for earnings, cash flow, assets, book value and sales.

Its fixed approach uses sector analysis and interest rate anticipation.

The asset mix Jan. 1 was 20% Canadian stocks, 60% bonds, 10% cash, 5% U.S. stocks and 5% foreign stocks.

Leighton F. Pullen, partner, is chief investment officer. Donald T. Ferris, associate, is client contact.

## McBryan, Malone & Russell

*Park Road Plaza, Box 144A, R.D. 11, Reading, Pa. 19607; (215) 777-8110*

| | |
|---|---|
| Total assets managed | $90,000,000 |
| Tax-exempt assets managed | $78,000,000 |
| Tax-exempt clients | 112 |
| Types of accounts managed | CEFG |
| Minimum separate account | $350,000 |
| No. of portfolio managers | 4 |

McBryan, Malone & Russell Inc. is an equity and options manager.

Its equity approach focuses on option writing and hedging. Stocks are selected that are not likely to decline in value, have good financial characteristics and are selling at a fair value. Once a stock is bought, the firm sells call options. Its fixed-income approach is passive.

The asset mix Jan. 1 was 90% stocks and 10% cash.

The firm follows 40 stocks closely and 75, generally; all research is generated internally.

Donald J. McBryan is chief investment officer. M. Kevin Malone is client contact.

## E.J. McConnell & Associates

*P.O. Box 25, Suite 2600, Royal Bank Plaza, North Tower, Toronto, Ontario M5J 2J1; (416) 366-5871*

| | |
|---|---|
| Total assets managed | $1,125,000,000 |
| Tax-exempt assets managed: | |
| Total | $900,000,000 |
| For subsidiaries of U.S. firms | $261,000,000 |
| Tax-exempt clients: | |
| Total | 55 |
| U.S. subsidiaries | 15 |
| Types of accounts managed | CFU |
| Minimum separate account | $4,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

E.J. McConnell & Associates Ltd., a Canadian firm, is an equity and balanced manager.

Its top-down equity approach emphasizes growth stocks.

Its top-down fixed-income approach uses interest rate anticipation and sector analysis, with emphasis on liquidity and quality.

The asset mix Jan. 1 was 44% Canadian stocks, 40% bonds, 6% cash and 10% U.S. stocks.

It follows 75 to 100 stocks closely and 100 to 125, generally; 50% of research is generated internally.

E.J. McConnell, president, is chief investment officer. Barbara S. Bucys is client contact.

## McConnell & Miller Inc.

*8 Sound Shore Drive, Greenwich, Conn. 06836; (203) 629-1980*

| | |
|---|---|
| Total assets managed | $567,000,000 |
| Tax-exempt assets managed | $542,000,000 |
| 401(k) assets managed | $4,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEF |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

McConnell & Miller Inc., an equity manager, focuses on stocks with low absolute and relative p/e ratios. It seeks financially sound, out-of-favor companies.

Its asset mix Jan. 1 was 85% stocks, 2% bonds and 13% cash.

There is one 401(k) client.

The firm follows 40 to 50 stocks closely and 150, generally; 50% of research is generated internally.

Clients include Echlin, Figgie International, Harvey Mudd College and The Stanley Works.

Richard E. McConnell, executive vice president, is client contact.

## McCowan Associates Inc.

*70 Pine St., New York, N.Y. 10270; (212) 480-8711*

| | |
|---|---|
| Total assets managed | $1,543,000,000 |
| Tax-exempt assets managed | $1,312,000,000 |
| International assets managed | $20,000,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

McCowan Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes investment in businesses with prospects for superior, sustainable growth.

For fixed income, the interest rate forecast determines maturity term structure. Sector analysis also is used. The firm seeks consistent positive returns and limited risk.

The asset mix Jan. 1 was 84% stocks, 6% bonds and 10% cash; $20 million was in foreign stocks.

The firm follows 75 stocks closely and 150, generally; 60% of research is generated internally.

Clients include NYNEX, Texaco, Pacific Gas & Electric and Michigan State University.

Bruce J. McCowan, principal and chairman, is chief investment officer. Paul F. Pfeiffer, principal, is client contact.

## McCullough, Andrews & Cappiello Inc.

*101 California St., Suite 4250, San Francisco, Calif. 94111; (415) 956-8700*

| | |
|---|---|
| Total assets managed | $750,000,000 |
| Tax-exempt assets managed | $525,000,000 |
| Tax-exempt clients | 66 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 1 |

McCullough, Andrews & Cappiello Inc. is an equity, fixed-income and balanced manager.

Its equity approach is based on maintenance of buying power through growth of earnings and dividends on relatively low p/e values purchased on a timely basis at the lower end of their relative trading ranges.

Its fixed-income approach is based on the interest rate outlook nearer term with liquidity and quality given top considerations.

The asset mix Jan. 1 was 65% stocks, 25% bonds and 10% cash.

The firm follows 75 stocks closely and 100, generally; 50% of research is

generated internally.

Clients include University of Santa Clara Endowment, Oakland Police & Fire and the Pacific Stock Exchange.

Robert F. McCullough, chairman and chief investment officer, is also the client contact.

### McGlinn Capital Management Inc.

*850 N. Wyomissing Blvd., P.O. Box 6158, Wyomissing, Pa. 19610-0158; (215) 374-5125*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed | $1,500,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |

McGlinn Capital Management Inc. is an equity, fixed-income and balanced manager.

Its top-down equity approach combines Graham & Dodd analysis, low p/e stocks, sector rotation, market timing and quantitative analysis.

Its fixed-income approach focuses on interest rate direction and the posture of the Federal Reserve Board. Portfolios are concentrated in intermediate-term government and high-quality corporate issues.

Options, stock index futures and bond index futures are used in limited private investment partnerships.

The asset mix Jan. 1 was 43% stocks, 46% bonds and 11% cash; $600 million was in dedicated or immunized bond portfolios.

McGlinn follows 300 stocks closely and 500, generally; 25% of research is generated internally.

Clients include Carpenter Technology, Pennsylvania State Employes, Central Pennsylvania Teamsters and Dairymen Inc.

Terrence J. McGlinn, president, is chief investment officer. James A. Walker, senior vice president, is client contact.

### McMahan Real Estate Advisors Inc.

*201 California St., No. 400, San Francisco, Calif. 94111; (415) 433-7770*

| | |
|---|---|
| Total assets managed | $406,000,000 |
| Tax-exempt assets managed | $391,000,000 |
| Real estate assets managed | $391,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEJG |
| Minimum separate account | $20,000,000 |

McMahan Real Estate Advisors Inc., a real estate manager, emphasizes investment in major growth areas in the West and Southwest. Properties acquired include fully leased retail, office and industrial holdings in the $5 million to $50 million range.

The asset mix Jan. 1 was 90% equity real estate and 10% mortgages.

The parent company is McMahan Financial Services Inc.

Clients include Safeway Stores, Honeywell, Southwestern Bell and Contra Costa Employees' Retirement.

Steven Brabant, vice president-acquisitions, is chief investment officer. The client contacts are John McMahan, president; Frank C. Harding, for public and Taft-Hartley funds; Jan C. Hurley, for corporate, endowment and foundation accounts; and Nina Edzell, analyst-client relations.

### McMillion/Eubanks Capital Management Inc.

*P.O. Box 21447, Greensboro, N.C. 27420; (919) 274-4876*

| | |
|---|---|
| Total assets managed | $165,000,000 |
| Tax-exempt assets managed | $70,000,000 |
| 401(k) assets managed | $800,000 |
| Tax-exempt clients | 36 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

McMillion/Eubanks Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses fundamental analysis plus valuation techniques, earnings momentum and technical analysis to isolate relative value.

Its fixed-income approach identifies high-quality, underpriced instruments that fit the desired yield curve locations. Options are used.

The asset mix Jan. 1 was 53% stocks, 23% bonds and 24% cash.

There is one 401(k) client.

The parent company is McMillion/Eubanks Inc.

P. Lawrence Wingate is chief investment officer and client contact.

### McMorgan & Co.

*201 Spear St., Suite 1700, San Francisco, Calif. 94105; (415) 777-9300*

| | |
|---|---|
| Total assets managed | $4,000,000,000 |
| Tax-exempt assets managed | $4,000,000,000 |
| Real estate assets managed | $1,000,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | JG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 7 |

McMorgan & Co. is an equity, fixed-income, balanced and real estate manager.

The asset mix Jan. 1 was 40% stocks, 30% bonds, 5% cash, 10% equity real estate and 15% mortgages.

Thomas Morton is chief investment officer. William Summer is client contact.

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(617) 292-8700

## John McStay Investment Counsel

*5949 Sherry Lane, Suite 1560, Dallas, Texas 75225; (214) 750-4932*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |

John McStay Investment Counsel is an equity, balanced and convertibles manager.

Its equity approach is rotational and theme oriented. Fundamental research is focused on companies with relative price and earnings momentum, resulting in portfolios with growth characteristics.

The asset mix Jan. 1 was 80% stocks and 20% cash.

Clients include Board of Pensions of the United Methodist Church, Georgia-Pacific, Temple Inland and the Meadows Foundation.

John McStay is managing partner. Nancy J. Smith, partner, is client contact.

## Mellon Bond Associates

*1 Mellon Bank Center, Pittsburgh, Pa. 15258; (412) 234-6979*

| | |
|---|---|
| Total assets managed | $14,855,000,000 |
| Tax-exempt assets managed: | |
| Total | $14,579,000,000 |
| Commingled | $3,278,000,000 |
| Separate | $11,301,000,000 |
| Tax-exempt clients | 138 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 3 |

Mellon Bond Associates, a fixed-income manager, establishes a performance benchmark for each actively managed account, followed by strict control of duration, yield, income and cash flow structure. Value is added by sector/quality spread valuation and issue selection.

All assets were in bonds Jan. 1; $4.05 billion was in bond index funds and $951 million in dedicated or immunized portfolios.

Thirty percent of research is generated internally.

The parent company is Mellon Bank Corp. Assets under management by the parent, subsidiaries and affiliates total $50.5 billion.

Clients include NYNEX, Pennsylvania School Employes, Henley Group and Joy Manufacturing.

Maureen V. Clarkson is client contact.

## Mellon Capital Management

*595 Market St., Suite 2900, San Francisco, Calif. 94105; (415) 546-6056*

| | |
|---|---|
| Total assets managed | $15,000,000,000 |
| Tax-exempt assets managed | $15,000,000,000 |
| Tax-exempt clients | 93 |
| Types of accounts managed | CEFG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 4 |

Mellon Capital Management is an equity, fixed-income, balanced and international manager.

Its equity approach is passive and quantitative. Its fixed-income approach is passive. Stock index futures and fixed-income futures are used.

It had $7.5 billion in equity index funds and $150 million in bond index funds Jan. 1.

There were four 401(k) clients.

Three-fourths of research is generated internally.

The parent company is Mellon Bank Corp. Assets under management by the parent, subsidiaries and affiliates total $50.5 billion.

William L. Fouse, chairman, is chief investment officer. Mr. Fouse and Thomas F. Loeb, president, are client contacts.

## Mellon Equity Associates

*500 Grant St., Suite 4100, Pittsburgh, Pa. 15258; (412) 234-1394*

| | |
|---|---|
| Total assets managed | $2,377,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,377,000,000 |
| Commingled | $170,000,000 |
| Separate | $2,207,000,000 |
| 401(k) and 457 assets managed | $31,000,000 |
| Tax-exempt clients | 15 |
| Commingled | 15 |
| Separate | 38 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Mellon Equity Associates is an equity and balanced manager.

Its equity approach is quantitative, with disciplined security valuation and portfolio construction processes. Stock index futures and fixed-income futures are used.

The fixed-income portion of balanced accounts is managed by Mellon Bond Associates.

The asset mix Jan. 1 was 98% stocks and 2% cash.

There were 11 401(k) and 457 clients.

The firm follows 2,000 stocks generally; 80% of research is generated internally.

The parent company is Mellon Bank Corp. Assets under management by the parent, subsidiaries and affiliates total $50.5 billion.

Clients included AT&T, Lockheed, Pennsylvania Public School Employes and Shriners.

Alan T. Sachtleben, president, is chief ivestment officer. Francis "Tim" Stack, senior vice president, is client contact at (412) 234-6268.

## Mellon-Pictet International Management Ltd.

*Cutlers Gardens S, Devonshire Sq., London, England EC2m 4LD; 011-441-283-7471*

| | |
|---|---|
| Total assets managed | $1,043,000,000 |
| Tax-exempt assets managed | $609,000,000 |
| International assets managed | $609,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CF |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 18 |

Mellon-Pictet International Management Ltd. is an equity, fixed-income, balanced and international manager.

Its international equity approach is fundamentally driven, top-down and active. It places major emphasis on concentration both of markets and stocks.

Its international fixed-income approach emphasizes "getting the big picture right." The key is broad diversification and high quality.

The asset mix Jan. 1 was 100% foreign stocks.

The parent companies are Mellon Bank Corp. and Pictet & Cie. Assets under management by Mellon Bank Corp. total $50.5 billion.

Clients include Coca-Cola, Dart & Kraft, Honeywell, GM and NYNEX.

Dan Blanks, president, is chief investment officer. Rod Hearn, vice president, is client contact.

## Mellon Real Estate Investment Management

*551 Madison Ave., New York, N.Y. 10022; (212) 702-4040*

| | |
|---|---|
| Total assets managed | $1,100,000,000 |
| Tax-exempt assets managed | $1,100,000,000 |
| Real estate assets managed | $1,100,000,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | CG |
| Separate account | $10,000,000 |

Mellon Real Estate Investment Management Corp., a real estate manager, designs portfolios to meet specific investment objectives, investing in both equity (direct ownership) and debt (mortgages).

The asset mix Jan. 1 was 44.7% equity real estate, 30.1% mortgages and 25.2% hybrid debt.

The parent company is Mellon Bank Corp. Assets under management by the parent, subsidiaries and affiliates total $50.5 billion.

Clients include Westinghouse, Bell Atlantic, Borg Warner and Detroit General Retirement System.

James T. Foran is chief investment officer. Karin E. Shewer, vice president, is client contact.

## L.J. Melody & Co.

*5847 San Felipe, Suite 4400, Houston, Texas 77057; (713) 787-1900*

| | |
|---|---|
| Total assets managed | $2,020,000,000 |
| Tax-exempt assets managed | $795,000,000 |
| Real estate assets managed | $795,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | FG |
| Minimum separate account | $50,000,000 |

L.J. Melody & Co. is a real estate manager.

Its approach involves originating and managing, on a nationwide basis, direct investments in major institutional-grade properties, including high-rise office buildings, regional malls and multifamily developments.

The asset mix Jan. 1 was 61% equity real estate and 39% mortgages.

There were $483 million in equity real estate and $312 million in mortgages.

The Teacher Retirement System of Texas is a client.

Lawrence J. Melody is chief investment officer. Robert D. Barkley, vice president, is client contact.

## Mercantile-Safe Deposit & Trust Co.

*2 Hopkins Plaza, Baltimore, Md. 21201; (301) 237-5548*

| | |
|---|---|
| Total assets managed | $5,308,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,698,000,000 |
| Commingled | $632,000,000 |
| Separate | $1,066,000,000 |
| Mortgage-backed assets managed | $75,000,000 |
| International assets managed | $35,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 8 |

Mercantile-Safe Deposit & Trust Co. is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented and focuses on high-yield, low p/e securities. Emphasis is placed on the buy/sell discipline.

Its fixed-income approach is risk-averse, using bonds to counterbalance market volatility.

The asset mix Jan. 1 was 35% stocks, 46% bonds, 15% cash and 4% mortgage-backed securities; $35 million was in foreign bonds.

It follows 200 stocks closely and 3,000, generally; 60% of research is generated internally.

The parent company is Mercantile Bankshares. Assets under management by the parent, subsidiaries and affiliates total $5.31 billion.

James D. Hardesty, executive vice president, is chief investment officer. John Wetzelberger, vice president, is client contact.

## Merchants Investment Counseling Inc.

*1 Merchants Plaza, Suite 838E, Indianapolis, Ind. 46255; (317) 267-3731*

| | |
|---|---|
| Total assets managed | $379,000,000 |
| Tax-exempt assets managed | $340,000,000 |
| 401(k) assets managed | $600,000 |
| Mortgage-backed assets managed | $39,000,000 |
| International assets managed | $17,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Merchants Investment Counseling Inc. is an equity, fixed-income, balanced and GIC manager.

Its equity approach is that of a bottom-up stock picker, using medium-cap companies with solid histories of accelerating earnings growth.

Its fixed-income approach is total return-oriented, using an active duration management process based on interest rate anticipation.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 38% stocks, 36% bonds, 10% cash, 12% mortgage-backed securities and 4% GICs; $17 million was in foreign stocks.

There were two 401(k) clients.

The parent company is Merchants National Corp. Assets under management by the parent, subsidiaries and affiliates total $4.23 billion.

Jack M. Schenck, president, is chief investment officer. Susan S. Thomas, vice president, is client contact.

## Merchants National Bank and Trust Co.

*1 Merchants Plaza, Suite 600E, Indianapolis, Ind. 46255; (317) 267-3731*

| | |
|---|---|
| Total assets managed | $3,937,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,100,000,000 |
| Commingled | $39,000,000 |
| Separate | $1,061,000,000 |
| 401(k) and 457 assets managed | $400,000 |
| Tax-exempt clients: | |
| Commingled | 200 |
| Separate | 110 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 3 |

Merchants National Bank and Trust Co. is an equity, fixed-income and balanced manager.

Its equity approach uses mainly growth stocks, with income stocks added according to market conditions.

Based on interest rate anticipation, its fixed-income approach uses active duration management and emphasizes high-quality bonds.

The asset mix Jan. 1 was 55% stocks, 35% bonds and 10% cash.

There were 6 401(k) and 457 plan clients.

It follows 100 stocks closely and 200, generally; 75% of research is generated internally.

The parent company is Merchants National Corp. Assets under management by the parent, subsidiaries and affiliates total $4.23 billion.

Clients include Eli Lilly, Indiana Public Employees and Indianapolis Power and Light.

Michael Burgad, vice president and senior investment officer, is chief investment officer. Susan S. Thomas, vice president, is client contact.

### 25 largest international managers ranked by U.S. tax-exempt assets

| Managers | $ millions |
|---|---|
| Citicorp Investment Management | 4,727 |
| J.P. Morgan Investment Management | 4,238 |
| Fiduciary Trust | 3,435 |
| Chase Investors Management | 3,301 |
| Morgan Grenfell Investment Services | 2,693 |
| Capital Guardian Trust | 2,398 |
| Templeton International | 2,395 |
| State Street Bank and Trust | 2,352 |
| T. Rowe Price Associates | 2,230 |
| First Chicago Investment Advisors | 2,161 |
| Fidelity International Investment Advisors | 2,000 |
| Grantham, Mayo, Van Otterloo | 1,944 |
| Rowe Price-Fleming International | 1,790 |
| Baring International | 1,370 |
| Schroder Capital International | 1,364 |
| ABD International Management | 1,311 |
| Batterymarch Financial | 1,116 |
| Prudential Asset Management Group | 1,069 |
| N.M. Rothschild International | 1,020 |
| Scudder, Stevens & Clark | 932 |
| Warburg Investment Management | 778 |
| BA Investment Management International | 766 |
| Nomura Capital Management | 718 |
| G.T. Capital Management | 640 |
| Mellon-Pictet International Management | 609 |
| **Total** | **47,357** |

## Merganser Capital Management Corp.

*575 Technology Square, Cambridge, Mass. 02139; (617) 494-1000*

| | |
|---|---|
| Total assets managed | $803,000,000 |
| Tax-exempt assets managed | $803,000,000 |
| Mortgage-backed assets managed | $145,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |

Merganser Capital Management Corp., a fixed-income manager, emphasizes capital preservation. Value is added by investing in sectors and securities that offer attractive returns compared to U.S. government securities on a yield-to-maturity basis. Stock index futures are used.

The asset mix Jan. 1 was 36% bonds, 4% cash, 18% mortgage-backed securities, 40% money markets and 2% GICs.

The parent company is Polaroid Corp.

Edward Safran, president, is chief investment officer. James Wakefield, vice president, is client contact.

## Meridian Capital Management Ltd.

*450 B St., Suite 780, San Diego, Calif. 92101; (619) 239-9048*

| | |
|---|---|
| Total assets managed | $45,000,000 |
| Tax-exempt assets managed | $23,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Meridian Capital Management Ltd., is an equity and balanced manager.

Its equity approach uses active asset allocation with a special situation bias that also incorporates fixed-income and cash equivalents. It concentrates on value-oriented growth companies with superior appreciation potential.

Its fixed-income approach is passive. Fixed income is used when the estimated return on fixed income vs. equities is high. It primarily uses short- to medium-duration Treasuries.

The asset mix Jan. 1 was 65% stocks, 25% bonds and 10% cash.

John Messner and Ellis Smith, presidents, are chief investment officers. Kimberlee O'Maley is client contact.

## Meridian Investment Co.

*P.O. Box 2000, Valley Forge, Pa. 19482; (215) 251-7986*

| | |
|---|---|
| Total assets managed | $1,800,000,000 |
| Tax-exempt assets managed | $623,000,000 |
| 401(k) assets managed | $100,000,000 |
| Real estate assets managed | $10,000,000 |
| Mortgage-backed assets managed | $7,000,000 |
| Tax-exempt clients | 1,903 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 4 |

Meridian Investment Co. is an equity, fixed-income, balanced and convertibles manager.

Its equity approach is quantitative, combining growth stock and convertible securities. It uses Quantitative Evaluation and Selection Techniques, which evaluates four variables for ranking 660 stocks and constructs portfolios from a group of the highest-rated companies.

Its fixed-income approach uses sector analysis, with a quantitative process that focuses on components of credit supply and demand and inflation trends to construct portfolios. A computer model monitors 15 variables for maturity and sector allocations.

The asset mix Jan. 1 was 32% stocks, 44% bonds, 14% cash, 1% equity real estate, 1% mortgages, 1% mortgage-backed securities and 7% miscellaneous.

The parent company is Meridian Asset Management. Assets under management by the parent, subsidiaries and affiliates total $4.1 billion.

Philip H. Brown II, president, is chief investment officer. Dawson Richardson, vice president, is client contact.

### Meridian Management Co.

*1000 Plaza West Building, Little Rock, Ark. 72205; (501) 663-7055*

| | |
|---|---|
| Total assets managed | $279,000,000 |
| Tax-exempt assets managed | $279,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Meridian Management Co., an equity manager, uses a value-oriented approach keyed to buying deeply discounted stocks of viable companies. It stresses undervalued sectors, industries and issues that typically sell below book value and at relatively low multiples of normal earnings power.

The asset mix Jan. 1 was 91% stocks and 9% cash.

It follows 100 stocks closely and 3,000 generally; all research is generated internally.

Clients include UFCW, Georgia-Pacific, Kerr-McGee and Chesapeake.

Lee Bodenhamer is chief investment officer. Edward C. Hamill, senior vice president, is client contact.

*Arthur Zeikel*
*Merrill Lynch Asset*

### Merrill Lynch Asset Management Inc.

*Box 9011, Princeton, N.J. 08543; (609) 282-2000*

| | |
|---|---|
| Total assets managed | $5,000,000,000 |
| Tax-exempt assets managed | $3,000,000,000 |
| Tax-exempt clients | 526 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 39 |
| Size of research staff | 3 |

Merrill Lynch Asset Management Inc. is an equity, fixed-income, balanced, international and options manager.

Its equity approach is value-oriented, focusing on Graham & Dodd analysis of low p/e, high-reinvestment-rate companies.

Its fixed-income approach emphasizes proper yield curve positioning through interest rate forecasting and yield curve analysis. Credit analysis and bond swaps also add value. It is an active fixed-income manager, preferring short-maturity, high-quality issues.

Options are used.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

The firm follows 200 stocks closely and 300 generally; 50% of research is generated internally.

The parent company is Merrill Lynch & Co.

Arthur Zeikel, president, is chief investment officer. Richard L. Reller, vice president, is client contact.

### Paul A. Merriman & Associates Inc.

*1200 Westlake Ave. N., Suite 507, Seattle, Wash. 98109; (800) 423-4893*

| | |
|---|---|
| Total assets managed | $28,000,000 |
| Tax-exempt assets managed | $23,000,000 |
| Tax-exempt clients | 225 |
| Types of accounts managed | CFJ |
| Minimum separate account | $10,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Paul A. Merriman & Associates Inc. is an equity and fixed-income manager.

It manages all accounts using no-load mutual funds with multiple market timing signals. It includes corporate and government bond funds, low- to high-risk equity funds and gold funds. The timing of bond funds is based on trend-following techniques.

The asset mix Jan. 1 was 90% stocks and 10% bonds.

Paul A. Merriman is chief investment officer and client contact.

### Merritt Easton Rae Management Ltd.

*1703-1166 Alberni, Vancouver, British Columbia V6E 3Z3; (604) 688-9531*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed: | |
| Total | $20,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 1 |
| Types of accounts managed | U |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

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Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach relies on growth stock and its fixed-income approach is passive.

The asset mix Jan. 1 was 35% Canadian stocks, 35% bonds, 20% cash and 10% U.S. stocks.

Twenty-five stocks are followed closely and 60, generally; 5% of research is generated internally.

Robert L. Merritt, vice president, is chief investment officer and client contact.

## Metropolitan Life Insurance

*1 Madison Ave., New York, N.Y. 10010; (212) 578-6287*

| | |
|---|---|
| Total assets managed | $81,581,000,000 |
| Tax-exempt assets managed: | |
| Total | $39,705,000,000 |
| Pooled accounts | $2,204,000,000 |
| Separate accounts | $312,000,000 |
| GICs | $14,800,000,000 |
| Annuities | $9,483,000,000 |
| Other | $12,906,000,000 |
| Real estate assets managed | $395,000,000 |
| Tax-exempt clients | 550 |
| Types of accounts managed | CFGJ |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 24 |
| Size of research staff | 84 |

Metropolitan Life Insurance Co. is an equity, fixed-income, balanced and real estate manager.

It offers both passive and active equity management. Its active approach combines fundamental research and price sensitivity, seeking growth and emerging growth stocks.

Its fixed-income approach is based on interest rate anticipation. Incremental returns are added through analyses of the bond market, yield spreads, sectors and securities.

Its real estate approach is to invest in high-quality, well-located properties with strong income and excellent appreciation potential, to add value through property management and to diversify properties by type and location.

The separate accounts asset mix Jan. 1 was 53.5% stocks, 0.1% bonds, 29.5% cash and 16.9% equity real estate; $132 million was in equity index funds.

Assets under management by Metropolitan Life Insurance Co., its subsidiaries and affiliates total $103.2 billion.

Robert G. Schwartz, chairman of the board, is chief investment officer. Harvey M. Young, senior vice president, is client contact.

## MFM Capital Management

*1400 N. Semoran Blvd., Orlando, Fla. 32807; (305) 282-0700*

| | |
|---|---|
| Total assets managed | $1,000,000 |
| Tax-exempt assets managed | $0 |
| No. of portfolio managers | 2 |

MFM Capital Management Inc., a fixed-income and options manager, combines passive strategies, interest rate anticipation and sector analysis in its investment approach. Preservation of capital is stressed. Options, stock-index futures and fixed-income futures are used.

MFM follows 15 stocks closely and 25 generally; 75% of research is generated internally.

John A. Maffei Jr., managing director, is chief investment officer and client contact.

## MH & Associates Securities Management Corp.

*21031 Ventura Blvd., Suite 307, Woodland Hills, Calif. 91364; (818) 704-4633*

| | |
|---|---|
| Total assets managed | $38,000,000 |
| Tax-exempt assets managed | $24,000,000 |
| Mortgage-backed assets managed | $1,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

MH & Associates Securities Management Corp. is an equity and balanced manager.

Its equity approach uses top-down asset allocation and sector emphasis. Low p/e and growth stocks are emphasized.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 38% stocks, 14% bonds, 35% cash, 5% mortgage-backed securities and 8% convertibles.

J. Robert Meichelbock is chief investment officer. John Heilman, vice president, is client contact.

## Midlantic National Bank and Trust Co./Florida

*5401 N. Federal Highway, Fort Lauderdale, Fla. 33308; (305) 771-6700*

| | |
|---|---|
| Total assets managed | $103,000,000 |
| Tax-exempt assets managed: | |
| Total | $20,000,000 |
| Separate | $20,000,000 |
| Mortgage-backed assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Separate | 46 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Midlantic National Bank and Trust Co./Florida is an equity, fixed-income and balanced manager.

Its equity approach is based on Graham & Dodd analysis, sector rotation and market timing, emphasizing a continual search for current and future earnings growth combined with analysis of present position and probable future trend of the general market.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

There was $5 million in mortgage-backed securities. Options are used.

The parent company is Midlantic Corp. Total assets under management by the parent company, subsidiaries and affiliates are $3.3 billion.

Norman D. Fine is chief investment officer and client contact.

## Mid-State Capital Management

*1130 12th Ave., Altoona, Pa. 16601; (814) 946-6614*

| | |
|---|---|
| Total assets managed | $407,000,000 |
| Tax-exempt assets managed: | |
| Total | $150,000,000 |
| Commingled | $60,000,000 |
| Separate | $90,000,000 |
| 401(k) and 457 assets managed | $20,000,000 |
| Real estate assets managed | $4,000,000 |
| Mortgage-backed assets managed | $20,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients: | |
| Commingled | 100 |
| Separate | 60 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Mid-State Capital Management is an equity, fixed-income, balanced and convertible manager.

Its equity approach focuses on low p/e stocks; its fixed-income approach, on interest rate anticipation and sector analysis. Options and stock index futures are used.

The asset mix Jan. 1 was 55% stocks, 37% bonds, 5% cash and 3% equity real estate.

There was $10 million in foreign stocks. There are 30 401(k) and 457 plan clients.

The parent company is Keystone Financial Inc. Assets under management by the parent, subsidiaries and affiliates total $1.5 billion.

Ralph J. Davis, managing director, is client contact.

## M&I Investment Management

*770 N. Water St., Milwaukee, Wis. 53202; (414) 765-7770*

| | |
|---|---|
| Total assets managed | $2,907,000,000 |
| Tax-exempt assets managed | $1,411,000,000 |
| Mortgage-backed assets managed | $141,000,000 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 19 |
| Size of research staff | 3 |

M&I Investment Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks and sector rotation. It emphasizes a valuation method, incorporating group dynamics and individual stock selection.

Its fixed-income approach uses interest rate anticipation and sector analysis. It actively manages intermediate bonds, concentrating on capital preservation within the context of total return.

The asset mix Jan. 1 was 50% stocks, 30% bonds, 10% cash and 10% mortgage-backed securities.

It follows 60 stocks closely and 175, generally; 25% of research is internally generated.

The parent company is Marshall & Ilsley Corp. Total assets under management by the parent, subsidiaries and affiliates total $2.91 billion.

William J. Gumerman, president, is chief investment officer. Judith C. Murphy, vice president, is client contact.

## Miller, Anderson and Sherrerd

*2 Bala Plaza, Bala Cynwyd, Pa. 19004; (215) 668-0850*

| | |
|---|---|
| Total assets managed | $11,500,000,000 |
| Tax-exempt assets managed | $11,500,000,000 |
| 401(k) assets managed | $3,000,000 |
| Mortgage-backed assets managed | $2,000,000,000 |
| International assets managed | $500,000,000 |
| Tax-exempt clients | 82 |
| Types of accounts managed | CEFG |
| Minimum separate account | $35,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 4 |

Miller, Anderson and Sherrerd is an equity, fixed-income and balanced manager.

Its equity decisions focus on a disciplined valuation process and investment strategy that combines quantitative analytical techniques, low p/e stocks and sector rotation.

Its fixed-income approach focuses on intermediate maturities, strategic economic analysis and sector rotation/opportunism.

The asset mix Jan. 1 was 49% stocks, 34% bonds and 17% mortgaged-backed securities.

There was $500 million in foreign bonds. There are two 401(k) clients.

It follows 100 stocks closely and 250, generally; half the research is generated internally.

Clients included Pennwalt, J.C. Penney, Yale University and Pennsylvania State Employees.

Paul F. Miller Jr. is chief investment officer. Frederic S. Owen, director of marketing, is client contact.

## MIMLIC Asset Management

*400 N. Robert St., St. Paul, Minn. 55101; (612) 298-3081*

| | |
|---|---|
| Total assets managed | $484,000,000 |
| Tax-exempt assets managed | $282,000,000 |
| 401(k) assets managed | $150,000,000 |
| Real estate assets managed | $107,000,000 |
| International assets managed | $6,000,000 |
| Tax-exempt clients | 283 |
| Types of accounts managed | CFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 10 |

MIMLIC Asset Management Co. is an equity, fixed-income, balanced manager and real estate manager.

Its equity approach is Graham & Dodd, using a fundamental bottom-up approach and investing primarily in dividend-paying common stocks of established companies.

Its fixed-income approach is sector analysis, indexing the core portfolio to market duration (about 60% of assets) and investing the remainder in sectors viewed as undervalued or high yield.

Its real estate approach is to purchase mortgage and equity investments secured by commercial and residential properties located within major metropolitan growth areas.

The asset mix Jan. 1 was 10% stocks, 50% bonds, 2% cash, 8% equity real estate and 30% mortgages; $6 million was in foreign stocks.

There are 150 401(k) clients.

The parent company is The Minnesota Mutual Life Insurance Co. Asset under management of the parent, subsidiaries and affiliates total $3.83 billion.

Joseph R. Bird, president, is chief investment officer. Jeffrey Winter, director of marketing, is client contact.

## Ming & Associates Inc.

*501 N.W. Expressway, Suite 230, Oklahoma City, Okla. 73118; (405) 848-3608*

| | |
|---|---|
| Total assets managed | $56,000,000 |
| Tax-exempt assets managed | $56,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Ming & Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach focuses on growth and emerging growth stocks and market timing.

Its fixed-income approach is based on interest rate anticipation, purchasing bonds after a fundamental analysis of market trends.

The asset mix Jan. 1 was 3.8% stocks, 94.8% bonds and 1.4% cash.

It follows 15 stocks closely and 20 to 25 generally; all research is generated internally.

Leslie L. Ming is the chief investment officer and client contact.

## Minton/Newbold's Capital Management

*1500 Walnut St., Philadelphia, Pa. 19102; (215) 893-8480*

| | |
|---|---|
| Total assets managed | $554,000,000 |
| Tax-exempt assets managed | $554,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CJG |
| Minimum separate account | $12,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Minton/Newbold's Capital Management, a fixed-income manager, manages structured portfolios — dedicated, laddered, indexed or with target duration. It uses proprietary software to facilitate management (sector positioning and arbitrage) to enhance returns and to measure results.

All assets were in bonds Jan. 1; $496 million was in dedicated or immunized bond portfolios.

The parent company is W.H. Newbold's Son & Co. Inc. Assets under management by the parent, subsidiaries and affiliates total $3.255 billion.

Clients include Arvin Industries, Illinois Tool Works, PPG Industries and Southwestern Public Service.

Lee W. Minton Jr., president, is chief investment officer. Charles H. Hopkins, vice president, is client contact.

## Mississippi Valley Advisors

*P.O. Box 387, St. Louis, Mo. 63166; (314) 425-3823*

| | |
|---|---|
| Total assets managed | $2,720,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,720,000,000 |
| Commingled | $54,000,000 |
| Separate | $2,666,000,000 |
| Mortgage-backed assets managed | $300,000,000 |
| Tax-exempt clients: | |
| Commingled | 21 |
| Separate | 254 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 8 |

Mississippi Valley Advisors is an equity, fixed-income and balanced manager.

Its equity approach is based on sector rotation. Its fixed-income approach emphasizes sector analysis and maturity management. Options are used.

Real estate investments are made through a commingled fund that owns shares of REITs.

The asset mix Jan. 1 was 30% stocks, 53% bonds, 7% cash and 10% mortgage-backed securities; there was $31 million in equity index funds and $535 million in dedicated or immunized portfolios.

It follows 310 stocks closely; 25% to 50% of research is generated internally.

The parent company is Mercantile Bancorporation.

John H. Blixen II is the chief investment officer. Ray C. Hayes, marketing director, is client contact.

## Mitchell Hutchins Asset Management

*1285 Avenue of the Americas, New York, N.Y. 10019; (212) 713-4000*

| | |
|---|---|
| Total assets managed | $17,932,000,000 |
| Tax-exempt assets managed | $1,218,000,000 |
| International assets managed | $9,000,000 |
| Tax-exempt clients | 62 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 6 |

Mitchell Hutchins Asset Management is an equity, fixed-income, balanced, international and special equity manager.

Its equity approach is earnings growth oriented with a valuation bias. Its fixed-income approach, as part of a balanced account, is based on interest rate anticipation and sector analysis. Options are used.

The asset mix Jan. 1 was 67% stocks, 19% bonds and 14% cash; $9.4 million was in foreign stocks.

It follow 150 stocks closely and 500, generally; 25% of research is generated internally.

The parent company is PaineWebber Group Inc. Assets managed by the parent company, subsidiaries and affiliates total $17.93 billion.

Clients include Ford, Nashville, Duke University and Teamsters Local 408.

Cheryl K. Gruetzmacher, managing director and director of institutional marketing and sales, is client contact.

## MLP Capital Formation

*P.O. Box 2297, Orinda, Calif. 94563; (415) 253-1282*

| | |
|---|---|
| Total assets managed | $20,000,000 |
| Tax-exempt assets managed | $13,000,000 |
| Real estate assets managed | $3,000,000 |
| Mortgage-backed assets managed | $2,000,000 |
| International assets managed | $400,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

MLP Capital Formation is an equity, fixed-income, real estate, international and asset allocation manager.

Its equity approach is based on Graham & Dodd and quantitative analysis, focusing on under-researched, undervalued medium-size companies.

In fixed income, it uses GNMAs.

In real estate it looks at apartments, commercial/industrial land and limited partnerships for resale. A proprietary model is used for evaluation.

The asset mix Jan. 1 was 45% stocks, 2% bonds, 10% cash, 18% equity real estate, 4% mortgages, 18% mortgage-backed securities and 3% international equity.

The parent company is MLP Capital Formation, formerly Gershen Perlman Financial.

Michael Perlman, co-general partner, is chief investment officer and client contact.

## Montag & Caldwell Inc.

*2 Piedmont Center, Suite 500, Atlanta, Ga. 30363; (404) 262-3480*

| | |
|---|---|
| Total assets managed | $540,000,000 |
| Tax-exempt assets managed | $351,000,000 |
| Tax-exempt clients | 81 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

Montag & Caldwell Inc. is an equity, fixed-income and balanced manager.

For equity investment, it takes a bottom-up valuation approach that interrelates earnings momentum.

Its fixed-income approach is based on duration management, maximizing the probability of outperforming the market within an expected range of rate movement by adjusting maturity, coupon and issuer.

The asset Jan. 1 was 65% stocks, 28% bonds and 7% cash; there was $23 million in dedicated or immunized bond portfolios.

It follows 300 stocks closely and 800 generally; 60% of research is generated internally.

Clients include Multimedia, Cone Mills and GoldKist.

Ronald E. Canakaris, president, is chief investment officer. Homer W. Whitman Jr., vice president-director of client services, is client contact.

## Montrusco Associates Inc.

*1000 Sherbrooke St. W., Suite 2300, Montreal, Quebec H3A 3G4; (514) 842-5464*

| | |
|---|---|
| Total assets managed | $875,000,000 |
| Tax-exempt assets managed | $540,000,000 |
| Tax-exempt clients | 68 |
| Types of accounts managed | CEFU |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 12 |

Montrusco Associates Inc., a Cana-

dian firm, is an equity, fixed-income, balanced and international manager.

Its equity strategy is based on business cycle analysis and sector rotation, with stocks selected from a multivariable quantitative approach highlighting total expected return.

Its fixed-income approach uses interest rate anticipation, sector analysis and Canadian issues in foreign currencies.

The asset mix Jan. 1 was 35% Canadian stocks, 41% bonds, 12% cash, 7.2% U.S. stocks and 4.8% EAFE.

Montrusco follows 150 stocks closely and 225, generally; 50% of research is generated internally.

The firm is affiliated with Montreal Trusco Inc., which holds a controlling interest. Assets under management by all subsidiaries and affiliates total $7.7 billion.

Andre Marsan, president and chief executive officer, is chief investment officer and client contact.

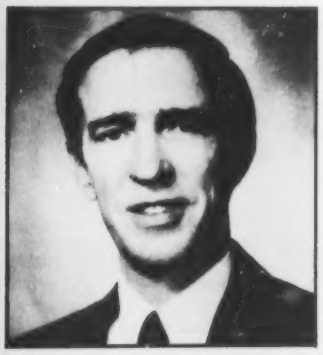
### MONY Financial Services

*4 Manhattanville Road, Purchase, N.Y. 10577; (914) 697-8508*

| | |
|---|---|
| Total assets managed | $18,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $7,526,000,000 |
| Pooled accounts | $1,684,000,000 |
| Separate accounts | $858,000,000 |
| GICs | $1,315,000,000 |
| Annuities | $858,000,000 |
| Other | $2,811,000,000 |
| 401(k) and 457 assets managed | $1,000,000,000 |
| Real estate assets managed | $70,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 18 |

MONY Financial Services is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach seeks long-term growth of capital through investment in stocks with above-average rates of earnings growth. Its fixed-income approach uses interest rate anticipation. Options, stock index futures and fixed-



*Floyd L. Smith*

income futures are used.

Its real estate approach is long-term, concentrating on direct ownership of income-producing properties. The portfolio is diversified by location and type of property.

The separate accounts asset mix Jan. 1 was 39% stocks, 55% bonds, 3% cash and 3% equity real estate; $70 million was in equity real estate, $50 million in equity index funds and $40 million in dedicated or immunized portfolios.

There are 2,500 401(k) and 457 plan clients.

The parent company is Mutual Life Insurance Co. of New York. Assets under management of the parent, subsidiaries and affiliates total $18.1 billion.

Floyd L. Smith, executive vice president, is chief investment officer. Philip N. Maisano, vice president-pension sales, is client contact.

### Moran Asset Management

*41 W. Putnam Ave., Greenwich, Conn. 06830; (203) 869-5100*

| | |
|---|---|
| Total assets managed | $120,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Moran Asset Management Inc., an equity manager, invests in medium-size, established, successful and growing companies with superior fundamental strengths but whose securities are substantially undervalued on a real asset value basis.

All assets were in stocks Jan. 1.

Moran follows 100 stocks closely and 100 generally; all research is generated internally.

Frederick A. Moran, president, is chief investment officer and client contact.

### J.P. Morgan Investment Management Inc.

*9 W. 57th St., New York, N.Y. 10019; (212) 826-7759*

| | |
|---|---|
| Total assets managed | $49,703,000,000 |
| Tax-exempt assets managed | $48,173,000,000 |
| Real estate assets managed | $2,342,000,000 |
| Mortgage-backed assets managed | $3,000,000,000 |
| International assets managed | $4,238,000,000 |
| Tax-exempt clients | 389 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 46 |
| Size of research staff | 23 |

J.P. Morgan Investment Management Inc. offers equity, fixed-income,

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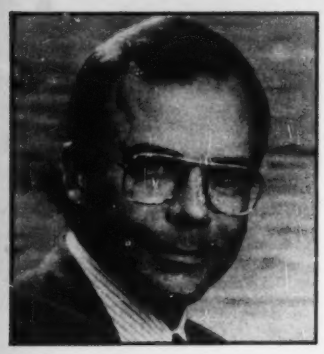

*C. Nicholas Potter*

balanced, real estate, international, convertible, immunized fixed-income and oil and gas management.

Its equity approach is a focused internal analytical effort combined with disciplined valuation and portfolio construction. Stock selection is the most important element.

Its fixed-income approach is based on interest rate anticipation, with sector and yield spread analysis providing incremental return and lowering volatility.

Options, stock index futures and fixed-income futures are used.

Its real estate approach is to make direct investments in special-situation projects that provide high current income, cash flow growth potential and high residual property appreciation.

The asset mix Jan. 1 was 40% stocks, 32% bonds, 5% cash, 3% equity real estate, 2% mortgages, 6% mortgage-backed securities, 3% convertibles, 2% international bonds and 7% international equities; there was $1.28 billion in equity real estate, $1.06 billion in mortgages, $3.52 billion in foreign stocks, $716 million in foreign bonds and $6.29 billion in immunized bond portfolios.

The parent company is J.P. Morgan Co. Assets under management by the parent, subsidiaries and affiliates total $61.71 billion.

C. Nicholas Potter is chief investment officer. Martin Dowd, Douglas Fleming, Clay Myers and George Peterson, vice presidents, are client contacts.

## Morgan Grenfell Investment Services Ltd.

*46 New Broad St., London EC2M 1NB, England; (01) 256-7500*

| | |
|---|---|
| Total assets managed | $3,275,000,000 |
| Tax-exempt assets managed | $2,693,000,000 |
| International assets managed | $2,693,000,000 |
| Tax-exempt clients | 42 |
| Types of accounts managed | CFG |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 14 |

Morgan Grenfell Investment Services Ltd. is an equity, fixed-income and international manager.

It is an active global equity manager, using growth and low p/e stocks and market timing. Equal emphasis is placed on market and stock selection. No investments are made without considering the currency impact.

Its fixed-income approach combines active management of currencies, bond markets and maturities. Currency and bond market exposure decisions are separated through currency hedging.

The asset mix Jan. 1 was 95% stocks, 1% bonds and 4% cash.

Morgan Grenfell follows 600 stocks closely and 3,000, generally; 60% of research is generated internally.

The parent company is Morgan Grenfell Asset Management Ltd. Assets under management by the parent, subsidiaries and affiliates total $21.3 billion.

Clients include Exxon, Rockefeller Foundation, Allied-Signal and PacTel.

Michael Bullock is director and chief investment officer. Client contacts are Graham Bamping and Alison Ramsdale, vice presidents, at Morgan Grenfell Capital Management Inc., 520 Madison Ave., New York, N.Y. 10022.

## Morgan Stanley Asset Management Inc.

*1633 Broadway, New York, N.Y. 10019; (212) 703-2702*

| | |
|---|---|
| Total assets managed | $10,281,000,000 |
| Tax-exempt assets managed | $8,752,000,000 |
| Mortgage-backed assets managed | $3,330,000,000 |
| International assets managed | $35,000,000 |
| Tax-exempt clients | 164 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 21 |
| Size of research staff | 4 |

Morgan Stanley Asset Management Inc. is an equity, fixed-income, balanced, international and high-yield bond manager.

Its top-down/bottom-up equity approach combines market sector allocation with a growth- and value-oriented selection process.

Its fixed-income approach emphasizes active maturity shifting. Short- and intermediate-term holdings constitute the core of the portfolios with long-term bonds used opportunistically.

The asset mix Jan. 1 was 38% stocks, 19% bonds, 5% cash and 38% mortgage-backed securities; there was $35 million in foreign stocks and $434 million in dedicated or immunized bond portfolios.

The parent company is Morgan Stanley Group Inc. Assets under management by the parent, subsidiaries and affiliates total $10.56 billion.

Clients include GM, Amherst College and Kresge Foundation.

Barton M. Biggs is chairman and chief investment officer. Gail Hunt Reeke, vice president, and Perry E. Hall II, principal, are client contacts.

## Morgan Stanley Asset Management/The Chicago Group

*1 Financial Place, 440 S. LaSalle St., Chicago, Ill. 60605; (312) 765-6035*

| | |
|---|---|
| Total assets managed | $273,000,000 |
| Tax-exempt assets managed | $101,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Morgan Stanley Asset Management/The Chicago Group is an equity and balanced manager.

It takes a classical value approach to equities. Portfolios always have lower-than-market p/e ratio and price-to-book ratio with higher-than-market yield.

Its fixed-income approach for balanced accounts emphasizes high-quality liquid bonds and takes advantage of anomalies in the one- to seven-year maturity range of the yield curve.

The asset mix Jan. 1 was 38% stocks, 61% bonds and 1% cash.

The parent company is Morgan Stanley Group Inc. Assets under management by the parent, subsidiaries and affiliates total $10.56 billion.

Thomas S. White is chief investment officer. Michael A. Crowe, vice president, is client contact.

## Morguard Investments Ltd.

*6 Crescent Road, Toronto, Ontario M4W 3K9; (416) 967-0880*

| | |
|---|---|
| Total assets managed | $3,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,386,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Real estate assets managed | $2,272,000,000 |
| Tax-exempt clients | 400 |
| Types of accounts managed | CEFPU |
| No. of portfolio managers | 20 |
| Size of research staff | 65 |

Morguard Investments Ltd., a Canadian firm, is a fixed-income, real estate and oil and gas manager.

Its fixed-income approach is to design specific mortgage investments to meet clients' long and short-term requirements. It emphasizes yield and security as well as diversity through syndication.

Its real estate approach is to acquire, develop and manage commercial, industrial and retail properties in major Canadian cities.

The asset mix Jan. 1 was 39% equity real estate, 57% mortgages and 4% oil and gas.

The parent company is Metropolitan Life & Affiliated Cos.-Canadian Operations. Assets under management by the parent, subsidiaries and affiliates total $7.26 billion.

Clients include Air Canada, Alberta Government Telephones, Ontario Hydro and Bimcor.

D.D. Weiss and A.K. Stephens, executive vice presidents, are investment officers. Andrews F. Ross, vice president-business development, is client contact.

## Morison Asset Management

*1201 Marquette, Minneapolis, Minn. 55403; (612) 332-1588*

| | |
|---|---|
| Total assets managed | $274,000,000 |
| Tax-exempt assets managed | $191,000,000 |
| 401(k) assets managed | $645,000 |
| International assets managed | $40,000,000 |
| Tax-exempt clients | 105 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 1 |

Morison Asset Management is an equity, fixed-income, balanced and international manager.

Its equity approach puts primary emphasis on asset allocation over business and interest rate cycles based on absolute potential/risk analysis. Asset allocation is driven by availability of quality issues using a core stock list of fast growth companies.

Its fixed-income approach takes advantage of yield curve analysis to increase yield and to control maturity and duration of the portfolio.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash; $40 million was in foreign stocks.

There is one 401(k) client.

The parent company is Morison International.

Tom Morison is chief investment officer. Ronald Halverson, vice president, is client contact.

## Morley Capital Management

*5285 S.W. Meadows Road, Suite 400, Lake Oswego, Ore. 97035; (503) 635-5414*

| | |
|---|---|
| Total assets managed | $1,300,000,000 |
| Tax-exempt assets managed | $1,300,000,000 |
| 401(k) assets managed | $438,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Morley Capital Management Inc. is a GIC manager.

Its fixed-income approach is yield management. It uses GICs to increase returns through reduction of risk and selection of contract terms, maturities and denominations. Portfolios are diversified by maturity and carrier.

The asset mix Jan. 1 was 98% GICs and 2% cash.

There are more than 100 401(k) clients.

Half of the research is generated internally.

Morley Financial Services Inc. is the parent company.

Clients include Occidental Petroleum, Bush Foundation, Joint Industry Board-IBEW and Southern California Edison.

Harold W. Morley is chief investment officer. J. Thomas Morrow, executive vice president, is client contact.

## Mortgage Investors Advisory Group Inc.

*1645 Palm Beach Lakes Blvd., Suite 600, West Palm Beach, Fla. 33401; (305) 686-1800*

| | |
|---|---|
| Total assets managed | $421,000,000 |
| Tax-exempt assets managed | $421,000,000 |
| Real estate assets managed | $383,000,000 |
| Mortgage-backed assets managed | $38,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | G |

Mortgage Investors Advisory Group Inc. is a real estate manager and limited partnership sponsor.

Its real estate approach is nationwide in scope and client specific, investing in construction, debt and equity short and intermediate-term financings.

The asset mix Jan. 1 was 8.9% equity real estate, 81.9% mortgages and 9.2% mortgage-backed securities.

Clients include Detroit Policemen and Firemen, Oakland County and Philadelphia Policemen and Firemen.

Larry E. Wright, executive vice president, is chief investment officer. Edwin B. Wayman, president, is client contact.

## Mt. Auburn Management

*79 Milk St., Boston, Mass. 02109; (617) 423-7707*

| | |
|---|---|
| Total assets managed | $30,000,000 |
| Tax-exempt assets managed | $24,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,500,000 |
| No. of portfolio managers | 1 |

Mt. Auburn Management, an equity manager, uses growth and emerging growth stocks and sector rotation.

The asset mix Jan. 1 was 85% stocks and 15% cash.

It follows 25 stocks closely and 100, generally; 50% of research is generated internally.

Clients include Taconic Foundation.

Alan J. Dworsky, principal, is chief investment officer and client contact.

## Mount Vernon Associates

*25 S. Charles St., Suite 2155, Baltimore, Md. 21201; (301) 539-5500*

| | |
|---|---|
| Total assets managed | $306,000,000 |
| Tax-exempt assets managed | $287,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 4 |

Mount Vernon Associates Inc. is an equity, fixed-income, balanced and options manager.

Its top-down equity approach emphasizes growth and low p/e stocks and sector rotation. The firm uses an alternative investment method along with a quantitative model for avoiding risk.

Its fixed-income approach focuses on interest rate anticipation and high-quality marketable issues.

The asset mix Jan. 1 was 62% stocks, 19% bonds and 19% cash.

It follows 50 stocks closely and 150 generally; 60% of research is generated internally.

Clients include Arlington County (Va.), University of Maryland and Dynalectron.

William J. Heffner, president, is chief investment officer and client contact.

## MPT Associates Inc.

*630 Fifth Ave., Suite 2670, New York, N.Y. 10111; (212) 247-5858*

| | |
|---|---|
| Total assets managed | $700,000,000 |
| Tax-exempt assets managed | $600,000,000 |
| 401(k) assets managed | $80,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

MPT Associates Inc. is an equity and balanced manager.

Its equity approach is quantitative and goal-oriented.

Its fixed-income approach is passive. Investment-grade portfolios are constructed around the Shearson Lehman Government/Corporate index, with emphasis on the most attractive maturity range.

Options are used.

The asset mix Jan. 1 was 98% stocks, 1% bonds and 1% cash.

The parent company is Lincoln National Corp. Assets under management by the parent, subsidiaries and affiliates total $13.149 billion.

Gerald L. Goodwin, president, is chief investment officer. F. Allen Dudley, vice president, is client contact.

## MRealty

*1704 Main St., 15th Floor, Dallas, Texas 75201; (214) 698-4528*

| | |
|---|---|
| Total assets managed | $218,000,000 |
| Tax-exempt assets managed | $71,000,000 |
| Real estate assets managed | $71,000,000 |
| Tax-exempt clients | 75 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |

MRealty, a real estate manager, focuses on properties that are not under intense price competition — with yields better than 9% — yet pass strict criteria of growth demographics, stable area, high occupancy, credit tenants and excellent construction.

The asset mix Jan. 1 was 93% equity real estate and 7% mortgages.

The parent company is MCorp. Assets managed by the parent, subsidiaries and affiliates total $21.9 billion.

Clients include Southwestern Public Service, North Texas Cement Masons and Dallas-Forth Worth International Airport.

Frank Tilley is chief investment officer. Mark Dunbar is client contact.

International manager profiles will run June 29.

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### MSecurities Corp.

*P.O. Box 225415, Dallas, Texas 75265; (214) 698-6861*

| | |
|---|---|
| Total assets managed | $1,348,000,000 |
| Tax-exempt assets managed: | |
| Total | $939,000,000 |
| Commingled | $461,000,000 |
| Separate | $478,000,000 |
| Tax-exempt clients: | |
| Commingled | 7 |
| Separate | 32 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |

MSecurities Corp is an equity, fixed-income and balanced manager.

Its equity approach combines growth stock and sector rotation. Its fixed-income approach is top-down and uses financial statistics research to establish interest rates. Options are used.

The asset mix Jan. 1 was 49% stocks, 20% bonds and 31% cash.

It follows 100 stocks closely and 250 generally; 80% of research is generated internally.

The parent company is MCorp. Total assets under management by the parent company, subsidiaries and affiliates are $21.9 billion.

Clients include LTV, Lomas & Nettleton, City of Fort Worth and Trinity University.

Hilton Hemphill, president, is chief investment officer and client contact.

### MT Associates Investment Counsel Inc.

*67 Yonge St., Suite 1000, Toronto, Ontario M5E 1J8; (416) 860-0616*

| | |
|---|---|
| Total assets managed | $1,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,050,000,000 |
| For subsidiaries of U.S. firms | $875,000,000 |
| Tax-exempt clients: | |
| Total | 99 |
| U.S. subsidiaries | 70 |
| Types of accounts managed | CEFU |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 2 |

MT Associates Investment Counsel Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is disciplined and value-oriented, using proprietary screens and systems, as well as extensive internal research to identify undervalued stocks.

Its fixed-income approach uses a low-risk, duration-based strategy combined with active exploitation of market inefficiencies.

The asset mix Jan. 1 was 40% Canadian stock, 45% bonds, 5% cash and 10% U.S. stocks; $200 million was in dedicated or immunized bond portfolios.

The firm follows 225 Canadian stocks closely; 70% of research in internally generated.

Montreal Trust owns 51% of the firm.

D. Alex Wilson is chief investment officer. S. Keith Lupton is client contact.

### MTrust Corp.

*P.O. Box 225415, Dallas, Texas 75265; (214) 698-6853*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,500,000,000 |
| Commingled | $700,000,000 |
| Separate | $800,000,000 |
| 401(k) and 457 assets managed | $100,000,000 |
| Real estate assets managed | $22,000,000 |
| Mortgage-backed assets managed | $500,000 |
| Types of accounts managed | CEG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 13 |
| Size of research staff | 5 |

MTrust Corp. is an equity, fixed-income, balanced and real estate manager.

Its equity approach employs Graham & Dodd analysis, low p/e securities and market timing. The firm seeks rotational growth in both large- and small-cap stocks. It also manages a value fund.

Its fixed-income approach is passive, emphasizing interest rate anticipation. It also uses laddered maturities to take advantage of the yield curve.

Options are used.

Its real estate approach concentrates on investment-grade, income-producing properties; appreciation is also a consideration.

The asset mix Jan. 1 was 58% stocks, 30% bonds, 10% cash and 2% equity real estate.

There are 96 401(k) and 457 plan clients.

The parent company is MCorp. Assets managed by the parent, subsidiaries and affiliates total $21.9 billion.

Hilton Hemphill, president-MSecurities, is chief investment officer. Client contacts are Bill Rush, Dallas; Stephanie Davis, Fort Worth; Marshall Shanklin, Houston; Fred Hamilton, Austin; and Ken Fries, Wichita Falls.

### Mu-Cana Investment Counselling

*227 King St. S., Waterloo, Ontario N2J 4C5; (519) 888-2465*

| | |
|---|---|
| Total assets managed | $2,855,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,282,000,000 |
| For subsidiaries of U.S. firms | $231,000,000 |
| Tax-exempt clients: | |
| Total | 80 |
| U.S. subsidiaries | 19 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 1 |

Mu-Cana Investment Counselling, a Canadian firm, is an equity, fixed-income and balanced manager.

It specializes in balanced funds, basing its equity approach on Graham & Dodd analysis and its fixed-income approach on interest rate anticipation. It does not manage sector specialty funds.

The asset mix Jan. 1 was 35% Canadian stocks, 55% bonds and 10% U.S. stocks; there was $10 million in dedicated or immunized bond portfolios.

Mu-Cana follows 100 stocks closely and 300 generally; 75% of research is generated internally.

The parent company is Mutual Life of Canada. Assets under management by the parent, subsidiaries and affiliates total $9 billion.

Clients include Benjamin Moore, General Foods, Joy Manufacturing and Pillsbury.

Ted Brough, president, is chief investment officer. David Paleczny, senior vice president-marketing and administration, is client contact.

### Muhlenkamp & Co. Inc.

*12300 Perry Highway, Wexford, Pa. 15090; (412) 935-5520*

| | |
|---|---|
| Total assets managed | $33,000,000 |
| Tax-exempt assets managed | $18,000,000 |
| 401(k) assets managed | $800,000 |
| International assets managed | $200,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Muhlenkamp & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes low p/e stocks and Graham & Dodd analysis. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 71% stocks, 12% bonds and 17% cash.

There are two 401(k) clients.

The firm follows 150 stocks closely and 1,700 generally.

Ronald H. Muhlenkamp is chief investment officer and client contact.

### Mutual Benefit Life

*520 Broad St., Newark, N.J. 07101; (201) 481-8600*

| | |
|---|---|
| Total assets managed | $5,673,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,673,000,000 |
| Pooled accounts | $196,000,000 |
| Separate accounts | $57,000,000 |
| GICs | $1,080,000,000 |
| Other | $4,340,000,000 |
| Real estate assets managed | $31,000,000 |
| Mortgage-backed assets managed | $57,000,000 |
| Tax-exempt clients | 241 |
| Types of accounts managed | CEFG |
| Minimum separate account | $20,000 |
| No. of portfolio managers | 7 |

Mutual Benefit Life is an equity, fixed-income and real estate manager.

Its equity approach follows Graham & Dodd principles. The firm seeks oversold, underfollowed and undervalued issues.

Its fixed-income approach uses immunization. The firm is primarily concerned with the highest after-tax yield and matching of asset liability and maturity.

Its real estate approach seeks to obtain smaller properties that are diversi-


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fied by type and location to afford a greater degree of diversity within portfolios.

There are 120 401(k) and 457 savings plans.

The parent company is Mutual Benefit Life. Total assets under management by the parent, subsidiaries and affiliates are $9.8 billion.

Ted D. Simmons is chief investment officer. Robert Davidow, senior vice president-pensions, is client contact.

### Mutual of America Life Insurance Co.

*666 Fifth Ave., New York, N.Y. 10103; (212) 399-1600*

| | |
|---|---|
| Total assets managed | $3,156,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,156,000,000 |
| Pooled accounts | $546,000,000 |
| GICs | $42,000,000 |
| Other | $2,568,000,000 |
| 401(k) and 457 assets managed | $2,000,000 |
| International assets managed | $9,000,000 |
| Tax-exempt clients | 12,000 |
| Types of accounts managed | EFG |
| No. of portfolio managers | 6 |
| Size of research staff | 3 |

Mutual of America Life Insurance Co. is an equity, fixed-income and balanced manager.

Its equity approach is to pursue companies with above-average earnings prospects.

Its fixed-income approach uses interest rate anticipation and sector analysis, taking advantage of changing opportunities in market relationships.

Options are used.

The separate accounts asset mix Jan. 1 was 90.8% stocks, 8.7% bonds, 0.2% cash and 0.3% investment income due and accrued receivable for investments sold; $8.5 million was in foreign stocks and $970,000 in equity index funds.

There is one 401(k) or 457 client.

Clients include American Cancer Society, Girl Scouts of the USA and United Way of Los Angeles.

Joan M. Casson, senior vice president and chief executive officer, is chief investment officer. Howard Lichtenstein, senior vice president-consulting services, is client contact.

### Mutual Service Life Insurance Co.

*P.O. Box 64035, St. Paul, Minn. 55164; (612) 631-7000*

| | |
|---|---|
| Total assets managed | $370,000,000 |
| Tax-exempt assets managed: | |
| Total | $249,000,000 |
| Pooled accounts | $18,000,000 |
| GICs | $48,000,000 |
| Annuities | $40,000,000 |
| Other | $143,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | C |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Mutual Service Life Insurance Co. is a fixed-income and balanced manager.

Its equity approach involves risk-averse management that stresses value orientation, low volatility and consistency of return.

Its fixed-income approach uses interest rate anticipation.

The separate accounts asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

There are 29 401(k) and 457 clients.

Loren A. Haugland, vice president-investments, is chief investment officer. David M. LaClare, director-pension financial sales and services, is client contact.

## n

### Narragansett Capital Inc.

*40 Westminster St., Providence, R.I. 02903; (401) 751-1000*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| Tax-exempt clients | 28 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| Size of research staff | 10 |

Narragansett Capital Inc. is an equity manager in leveraged buy-outs, taking equity positions in transactions made by the firm.

All tax-exempt assets as of Jan. 1 were in leveraged buy-outs.

Arthur D. Little, managing director, is chief investment officer and client contact.

### National Bank of Detroit

*611 Woodward, Detroit, Mich. 48226; (313) 225-2820*

| | |
|---|---|
| Total assets managed | $9,000,000,000 |
| Tax-exempt assets managed | $4,000,000,000 |
| Mortgage-backed assets managed | $100,000,000 |
| International assets managed | $6,000,000 |
| Tax-exempt clients | 950 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 14 |
| Size of research staff | 15 |

National Bank of Detroit is an equity, fixed-income, balanced, international and GIC manager.

Its equity approach emphasizes value and earnings growth. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 30% stocks, 50% bonds and 20% cash; $6 million was in foreign stocks, $130 million in equity index funds, $64 million in bond index funds and $300 million in immunized and dedicated bond portfolios.

It follows 200 stocks closely and 650, generally; 80% of the research is generated internally.

The parent company is NBD Bancorp Inc. Assets under management by the parent, subsidiaries and affiliates total $10 billion.

Clients include GM, Wayne County, Chrysler and Deluxe Check.

James M. Lane, senior vice president, is chief investment officer. Richard L. Foersterling, first vice president, is client contact.

### The National City Bank of Evansville

*P.O. Box 868, Trust Department, Evansville, Ind. 47705-0868; (812) 464-9662*

| | |
|---|---|
| Total assets managed | $242,000,000 |
| Tax-exempt assets managed: | |
| Total | $95,000,000 |
| Commingled | $95,000,000 |
| 401(k) and 457 assets managed | $500,000 |
| Real estate assets managed | $16,000,000 |
| Tax-exempt clients | 120 |
| Types of accounts managed | C |
| No. of portfolio managers | 2 |

The National Bank of Evansville is an equity, fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stocks. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 42% stocks, 39% bonds, 2% cash and 17% mortgage-backed securities.

There were two 401(k) and 457 plan clients.

The parent company is National City Bancshares Inc. Assets under management by the parent, subsidiaries and affiliates total $333 million.

James J. Marchino, trust officer, is chief investment officer. David K. Boink, trust officer, is client contact.

### National City Bank, Cleveland

*1900 E. Ninth St., Cleveland, Ohio 44114; (216) 575-2000*

| | |
|---|---|
| Total assets managed | $6,900,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,731,000,000 |
| Commingled | $828,000,000 |
| Separate | $1,903,000,000 |
| Mortgage-backed assets | $137,000,000 |
| Tax-exempt clients: | |
| Commingled | 325 |
| Separate | 107 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 10 |

National City Bank, Cleveland is an equity, fixed-income and balanced manager.

It takes a growth stock approach to equities, focusing on a company's markets, competitive advantage, management, return on equity and growth potential.

In fixed income, maturity structures of portfolios are adjusted in anticipation of interest rate changes.

*J. Warren Hall*

The asset mix Jan. 1 was 55% stocks, 30% bonds, 10% cash and 5% mortgage-backed securities.

The parent company is National City Corp. Assets under management by the parent, subsidiaries and affiliates total $9 billion.

Clients include Ameritech, Roadway Services, Harris and Case Western Reserve University.

J. Warren Hall, senior vice president, is chief investment officer and client contact.

### National Investment Services of America Inc.

*815 E. Mason St., Suite 1501, Milwaukee, Wis. 53202; (414) 271-6540*

| | |
|---|---|
| Total assets managed | $5,205,000,000 |
| Tax-exempt assets managed | $4,828,000,000 |
| 401(k) assets managed | $50,000,000 |
| Mortgage-backed assets managed | $500,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 2 |

National Investment Services of America Inc. is an equity, fixed-income, balanced and structured liability linked accounts manager.

Its equity approach uses growth stock, believing earnings momentum is the central influence on price.

Its fixed-income approach varies by client need. It offers active, immunized or dedicated and indexed portfolios, using interest rate anticipation or sector analysis. Its "spanning technology" links assets to plan liabilities assuring funding levels using both stocks and bonds.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 5% stocks, 85% bonds and 10% mortgage-backed securities; more than $4.5 billion was in dedicated or immunized bond portfolios.

There is one 401(k) client.

Clients include Ameritech, Columbia University and Eastern Air Lines Pilots.

Joseph E. Gorman, is chief investment officer. Thomas R. Tuschen is client contact.

### National Property Advisors

*89 Main St., P.O. Box 308, Montpelier, Vt. 05602; (802) 223-9595*

| | |
|---|---|
| Total assets managed | $262,000,000 |
| Tax-exempt assets managed: | $81,000,000 |
| Real estate assets managed | $81,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CG |
| No. of portfolio managers | 2 |

National Property Advisors Corp., a real estate manager, strives to actively enhance value by emphasizing sole equity ownership, geographic and property-type focus, initiative during the holding period and an opportunistic sell discipline.

All assets were in equity real estate Jan. 1.

The parent company is National Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $2.8 billion.

Ralph T. Heath, president and chief executive officer, is chief investment officer. Sallie E. Proctor, vice president-director of marketing, is client contact.

The largest real estate advisers will be profiled Sept. 21.

### Nationwide Insurance Group

*1 Nationwide Plaza, Columbus, Ohio 43216; (614) 249-6488*

| | |
|---|---|
| Total assets managed | $6,443,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,309,000,000 |
| Pooled accounts | $896,000,000 |
| Separate accounts | $89,000,000 |
| GICs | $15,000,000 |
| Annuities | $208,000,000 |
| Other | $2,101,000,000 |
| 401(k) and 457 assets managed | $1,782,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 25 |

Nationwide Insurance Group is an equity, fixed-income and balanced manager.

For equities, it combines Graham & Dodd analysis with emerging growth, growth and low p/e stocks, and sector rotation. It substantially overweights attractive industries.

In fixed income, the bond market is continually monitored to discern relative value in different sectors of the market.

The separate account asset mix Jan. 1 was 83% stocks, 6% bonds and 11% cash.

It follows 100 stocks closely and 1,000, generally; 5% of research is internally generated.

The parent company is Nationwide Insurance Group. Assets under management by the parent, subsidiaries and affiliates total $14.481 billion.

Clients include American Poultry, Battelle, FCX and Select Sires.

Peter F. Frenzer, executive vice president-investments, is chief investment officer.

John H. Williams, compliance officer, is client contact.

### NBD Ann Arbor

*125 S. Main, Ann Arbor, Mich. 48104; (313) 995-8183*

| | |
|---|---|
| Total assets managed | $450,000,000 |
| Tax-exempt assets managed: | |
| Total | $161,000,000 |
| Commingled | $15,000,000 |
| Separate | $146,000,000 |
| Real estate assets managed | $500,000 |
| Tax-exempt clients: | |
| Commingled | 100 |
| Separate | 7 |
| Types of accounts managed | CG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

NBD Ann Arbor is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation and market timing with growth stocks.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 35% stocks, 49% bonds, 15% cash and 1% mortgages.

The parent company is NBD Bancorp. Assets under management by the parent, subsidiaries and affiliates total $10 billion.

Theodore Libby, vice president, is chief investment officer.

Steve Hoffman, vice president, is client contact.

### NCM Capital Management Group Inc.

*2 Mutual Plaza, 501 Willard St., Durham, N.C. 27701-3642; (919) 688-0620*

| | |
|---|---|
| Total assets managed | $7,000,000 |
| Tax-exempt assets managed | $7,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |

NCM Capital Management Group Inc. is an equity, fixed-income and balanced manager.

Its equity approach screens a large universe for low p/e stocks with earnings momentum, earnings surprise and quality to identify potential purchases.

In fixed income, it uses interest rate anticipation, sector shifts based on spreads and duration shifts based on expected changes in the yield curve.

All assets were in cash Jan. 1.

The parent company is North Carolina Mutual Life. Assets under management by the parent, subsidiaries and affiliates total $200 million.

M.K. Sloan, president and chief executive officer, is chief investment officer. John B. Mickle, vice president-marketing, is client contact.

### NCNB National Bank

*1 NCNB Plaza T09-1, Charlotte, N.C. 28255; (704) 374-8405*

| | |
|---|---|
| Total assets managed | $7,248,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,479,000,000 |
| Commingled | $1,497,000,000 |
| Separate | $1,982,000,000 |
| Real estate assets managed | $575,000,000 |
| Mortgage-backed assets managed | $59,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 33 |
| Size of research staff | 8 |

NCNB National Bank is an equity, fixed-income, balanced and real estate manager.

Its equity approach uses Graham & Dodd analysis and sector rotation as it seeks value within stages of the economic cycle, emphasizing cash flow analysis in reorganization opportunities.

Its fixed-income approach focuses on duration relative to the Shearson index with value added by sector swaps and interest rate anticipation.

For real estate, it invests in commercial and industrial properties in the Southeast, with an emphasis on office and business parks leased to quality tenants.

The asset mix Jan. 1 was 28% stocks, 43% bonds, 10% cash, 17% equity real estate and 2% mortgage-backed securities.

Clients include Shell Oil, World Bank, Black & Decker and National Geographic.

Don Berdine, senior vice president, is chief investment officer. Mark S. Coltrin, vice president, is client contact.

### [illegible]son, Benson & Zellmer

*[illegible] Sherman St., Suite 100, Denver, Colo. 80203; (303) 778-6800*

| | |
|---|---|
| Total assets managed | $401,000,000 |
| Tax-exempt assets managed | $270,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Nelson, Benson & Zellmer Inc. is an equity, fixed-income and balanced manager.

A bottom-up, growth stock manager, the firm stresses three elements of fundamental financial analysis: growth of earnings; return on equity; and quality of management.

Its fixed-income approach is passive, focusing on high quality and intermediate maturity.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

W. Peterson Nelson, president, is chief investment officer. John A. Benson, executive vice president, is client contact.

### Nelson Capital Management

*525 University Ave., Suite 810, Palo Alto, Calif. 94306; (415) 326-0200*

| | |
|---|---|
| Total assets managed | $101,000,000 |
| Tax-exempt assets managed | $28,000,000 |
| 401(k) assets managed | $14,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Nelson Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is top-down, using sector rotation and Graham & Dodd analysis.

Its fixed-income approach uses interest rate projections and emphasizes U.S. government securities.

Options are used.

The asset mix Jan. 1 was 40% stocks, 40% bonds and 20% cash.

There are four 401(k) clients.

Philip S. Nelson, president, is chief investment officer. Suanne M. Ramar, principal, is client contact.

### Neuberger and Berman

*522 Fifth Ave., New York, N.Y. 10036; (212) 790-9669*

| | |
|---|---|
| Total assets managed | $11,547,000,000 |
| Tax-exempt assets managed | $5,538,000,000 |
| Tax-exempt clients | 230 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 34 |
| Size of research staff | 12 |

Neuberger and Berman is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis, low p/e stocks, and sector rotation. It takes high cash positions in falling and indecisive markets, and high equity positions in rising markets.

It uses a zero to five-year maturity "market-oriented" fixed-income approach.

The asset mix Jan. 1 was 57.2% stocks, 24.4% bonds and 18.4% cash.

It follows 300 stocks closely and 800, generally; 80% of research is generated internally.

Clients include Baby Togs, Henry J. Kaiser Foundation, Price Waterhouse and United Technologies.

Richard A. Cantor, president, is chief investment officer. Robert R. McComsey, chief operating officer, is client contact.

### Newbold's Asset Management

*1500 Walnut St., Philadelphia, Pa. 19102; (215) 893-8167*

| | |
|---|---|
| Total assets managed | $2,701,000,000 |
| Tax-exempt assets managed | $2,009,000,000 |
| Tax-exempt clients | 103 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 12 |

Newbold's Asset Management is an equity manager.

Its equity approach emphasizes low p/e stocks.

The asset mix Jan. 1 was 89% stocks and 11% cash.

It follows 20 to 30 stocks closely and 120, generally; all research is generated internally.

The parent company is W.H. Newbold's Son & Co. Inc. Total asset under management by the parent, subsidiaries and affiliates are $3.255 billion.

Clients include Hallmark Cards, Texas Utilities, Illinois State Board and Loyola University.

Timothy M. Havens is chief investment officer. Robert E. Clarke is client contact.

### The New England

*501 Boylston St., Boston, Mass. 02117; (617) 578-2000*

| | |
|---|---|
| Total assets managed | $13,504,000,000 |
| Tax-exempt assets managed | |
| Total | $5,385,000,000 |
| Pooled accounts | $228,000,000 |
| Separate accounts | $21,000,000 |
| GICs | $2,457,000,000 |
| Annuities | $75,000,000 |
| Other | $2,604,000,000 |
| Real estate assets managed | $151,000,000 |
| Tax-exempt clients | 375 |
| Types of accounts managed | CEJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 40 |
| Size of research staff | 60 |

The New England is an equity, fixed-income, balanced and real estate manager.

Its equity approach is characterized by sector rotation; a search for companies with the greatest potential for earnings surge; and a strong sell discipline. Usually, 20 to 30 issues are held.

Its fixed-income approach is based on interest rate anticipation and sector and credit analyses.

Options and fixed-income futures are used.

Real estate investments are handled by its affiliate, Copley Real Estate Advisors.

The separate accounts asset mix Jan. 1 was 31% stocks, 9% bonds, 7% cash and 3% mortgages.

Assets under management by The New England, its subsidiaries and affiliates total $37.27 billion.

Clients include Union Pacific, Pillsbury, Coca-Cola and Virginia.

Ralph F. Verni, executive vice president-finance, is chief investment officer. Kathleen R. Sammis, second vice president, is client contact.

### Newhard, Cook Advisory Services Inc.

*720 S. Colorado Blvd., Suite 170, Denver, Colo. 80222; (303) 753-9400 or (800) 852-0066*

| | |
|---|---|
| Total assets managed | $29,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Newhard, Cook Advisory Services Inc. is an equity manager.

Its growth-stock approach is highly disciplined with heavy emphasis on computerized technical analysis and market timing.

The asset mix Jan. 1 was 100% stocks.

The parent company is Newhard, Cook & Co. Inc.

Howard J. Hebert, president, is chief investment officer. Mr. Hebert, Eric R. White, vice president, and Suzanne M. Hebert, account executive, are client contacts.

### New Japan Capital Management (U.S.A.) Inc.

*1 World Trade Center, Suite 4959, New York, N.Y. 10048; (212) 938-5602*

| | |
|---|---|
| Total assets managed | $1,330,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 16 |

New Japan Capital Management (U.S.A.) Inc. is an equity manager.

Its equity approach is quantitative, choosing the optimum portfolio based on a combination of computer-aided analysis of stocks for industry allocation and its SAMMIT system for market timing.

The parent company is New Japan International Capital Management Co., Ltd. Total assets under management by the parent company, subsidiaries and affiliates are $1.33 billion.

Noboru Imai, managing director, is chief investment officer. Kenji Nakanishi, president-New Japan Capital Management and Hiroshi Takahashi, manager-New Japan International Capital Management Co., Ltd., are client contacts.

The investment consultants directory will run Nov. 16.

### New Mexico Capital Management

*7800 Marble N.E., Suite 8, Albuquerque, N.M. 87110; (505) 268-0072*

| | |
|---|---|
| Total assets managed | $90,000,000 |
| Tax-exempt assets managed | $54,000,000 |
| 401(k) assets managed | $1,000,000 |
| Mortgage-backed assets managed | $3,000,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 72 |
| Types of accounts managed | CFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 3 |

New Mexico Capital Management is an equity, fixed-income and balanced manager.

Its bottom-up equity approach emphasizes low p/e stocks and Graham & Dodd analysis.

Its fixed-income emphasis is on A or better coupon bonds, using interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 45% stocks, 43% bonds, 10% cash and 2% mortgage-backed securities; there was $2 million in foreign stocks.

There are two 401(k) clients.

Gerald S. Epstein, president, is chief investment officer. Charles H. Womack and Thomas S. Christopher, executive vice presidents, are client contacts.

### Newport Pacific Management

*500 Sansome St., Suite 810, San Francisco, Calif. 94111; (415) 781-5801*

| | |
|---|---|
| Total assets managed | $13,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

Newport Pacific Management is an equity, fixed-income, balanced and international manager.

Its equities approach combines growth and emerging growth stocks and market timing. It invests globally, specializing in small to midsize companies in the Pacific Basin.

Its fixed-income approach uses interest rate anticipation.

The parent company is Newport International Management Ltd. Assets


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under management by the parent, subsidiaries and affiliates total $40 million.

John M. Mussey, president, is chief investment officer and client contact.

### New York Life Insurance Co.

*51 Madison Ave., New York, N.Y. 10010; (212) 576-7416*

| | |
|---|---|
| Total assets managed | $29,035,000,000 |
| Tax-exempt assets managed: | |
| Total | $10,648,000,000 |
| Pooled accounts | $220,000,000 |
| GICs | $5,062,000,000 |
| Annuities | $1,372,000,000 |
| Other | $3,994,000,000 |
| Real estate assets managed | $32,000,000 |
| Tax-exempt clients | 529 |
| Types of accounts managed | CGJ |
| Minimum separate account | $5,000,000 |
| Size of research staff | 35 |

New York Life Insurance Co. is an equity, fixed-income, real estate, convertibles and money market manager.

Its equity approach primarily focuses on companies with earnings growth rates substantially above S&P 500. The firm searches for value equity in companies whose value is not reflected in stock price.

Its fixed-income approach combines partial market timing and an actively managed core to provide competitive returns that consistently exceed inflation. Buy/sell disciplines are heavily emphasized; sector analysis is employed.

Its real estate approach seeks capital appreciation and strong yield through a diversified portfolio.

The separate accounts asset mix Jan. 1 was 35.7% stocks, 28.7% bonds, 20.9% cash and 14.7% equity real estate.

There was $35 million in bond index funds. A total of $622 million in pooled separate accounts is managed by MacKay-Shields.

The parent company is New York Life. Total assets managed by the parent company, subsidiaries and affiliates are $33.3 billion.

William E. Keiter, executive vice president, is chief investment officer. Linda Livornese, assistant vice president, is client contact.

### Nicholas Co. Inc.

*700 N. Water St., Milwaukee, Wis. 53202; (414) 272-4650*

| | |
|---|---|
| Total assets managed | $1,800,000,000 |
| Tax-exempt assets managed | $340,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Nicholas Co. Inc. is an equity and balanced manager.

It takes a growth and low p/e stock approach to equity investments, and a passive approach to fixed-income investments.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

It follows 150 stocks closely and 300, generally; 50% of research is generated internally.

Clients include Goodyear, Mayo Clinic, Vulcan Materials and The Common Fund.

Albert O. Nicholas, president, is chief investment officer. David L. Johnson, vice president, is client contact.

A special section on leasing will be published June 15.

### Nicholas-Applegate Capital Management

*701 B St., Suite 2040, San Diego, Calif. 92101; (619) 234-4472*

| | |
|---|---|
| Total assets managed | $815,000,000 |
| Tax-exempt assets managed | $762,000,000 |
| Tax-exempt clients | 38 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |

Nicholas-Applegate Capital Management is an equity and balanced manager.

The firm specializes in growth-stock investments, using a bottom-up approach.

The asset mix Jan. 1 was 94% stocks, 1% bonds and 5% cash.

It follows 325 stocks closely; 20% of research is generated internally.

Clients include Virginia Supplemental, The Common Fund, Colgate-Palmolive, United Technologies and Pacific Lighting.

Arthur E. Nicholas, chairman, is chief investment officer. Fred C. Applegate, president, is client contact.

### The Nicholson Group Inc.

*7550 Red Road, Coral Gables, Fla. 33143; (305) 662-1760*

| | |
|---|---|
| Total assets managed | $10,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

The Nicholson Group Inc., an equity manager, takes an approach that combines a search for growth and low p/e stocks with Graham & Dodd analysis and market timing.

The asset mix Jan. 1 was 80% stocks and 20% cash.

The firm follows 100 stocks closely and 2,000, generally; 60% of research is generated internally.

Robert Nicholson is chief investment officer and client contact.

### Nikko & Associates Inc.

*350 Park Ave., New York, N.Y. 10022; (212) 319-2730*

| | |
|---|---|
| Total assets managed | $801,000,000 |
| Tax-exempt assets managed | $58,000,000 |
| International assets managed | $58,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CFJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 39 |
| Size of research staff | 131 |

International manager Nikko & Associates Inc. uses core portfolios for the larger non-U.S. markets such as Japan and the United Kingdom, including index funds. It then adds value through specialized, active EAFE management for the remainder of an account. It emphasizes growth and low p/e stocks.

The asset mix Jan. 1 was 96.9% international stocks and 3.1% cash.

The parent company is Nikko International Capital Management Co. Assets under management by the parent, subsidiaries and affiliates total $5.7 billion.

Koen De Ryck is chief investment officer. David Rochman, vice president, is client contact.

### Noddings-Calamos Asset Management Inc.

*2001 Spring Road, Suite 750, Oak Brook, Ill. 60521; (312) 571-7100*

| | |
|---|---|
| Total assets managed | $220,000,000 |
| Tax-exempt assets managed | $171,000,000 |
| Tax-exempt clients | 135 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 9 |

Noddings-Calamos Asset Management Inc. specializes in convertible securities.

Using 30 quantitative and statistical measures, it evaluates risk/reward for convertible securities with a fundamental bias. Options are used.

All tax-exempt assets were in convertible securities Jan. 1.

Clients include Wisconsin Electric, Johnson Controls and Alaska Teamsters.

Thomas C. Noddings and John P. Calamos, managing directors, are chief investment officers. Joyce A. Cagnina, vice president, is client contact.

### Nomura Capital Management

*180 Maiden Lane, Suite 2903, New York, N.Y. 10038; (212) 509-8181*

| | |
|---|---|
| Total assets managed | $1,021,000,000 |
| Tax-exempt assets managed | $718,000,000 |
| International assets managed | $718,000,000 |
| Tax-exempt clients | 13 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 120 |

Nomura Capital Management Inc., an international manager, takes an active equity approach using original fundamental and economic research with a global perspective. Stocks are chosen through disciplined valuation.

The asset mix Jan. 1 was 93% stocks and 7% cash.

Nomura Capital follows 700 stocks closely and 2,000, generally; 70% of the research is generated internally.

The parent company is Nomura Investment Management Co. Ltd. Assets under management by the parent, subsidiaries and affiliates total $8.63 billion.

Clients include General Electric, General Motors, Hawaii and Southwestern Bell.

Takeo Nakamura, president, is chief investment officer. Brian X. Fitzgibbon, senior vice president, is client contact.

### Steven A. Noroian & Associates Inc.

*235 Montgomery St., No. 838, San Francisco, Calif. 94104; (415) 398-8766*

| | |
|---|---|
| Total assets managed | $40,000,000 |
| Tax-exempt assets managed | $25,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | C |
| Minimum separate account | $240,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Steven A. Noroian & Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach analyzes growth stocks with Graham & Dodd and employs market timing.

Its fixed-income approach uses interest rate anticipation and sector analysis, emphasizing maturity structure and quality ratings.

The asset mix Jan. 1 was 90% stocks, 5% bonds and 5% cash.

Steven A. Noroian, chairman, is chief investment officer. John R. Deller, senior vice president, is client contact.

### Norstar Investment Advisory Services Inc.

*45 East Ave., Rochester, N.Y. 14604; (716) 423-1900*

| | |
|---|---|
| Total assets managed | $1,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $937,000,000 |
| Commingled | $180,000,000 |
| Separate | $757,000,000 |
| 401(k) and 457 assets managed | $60,000,000 |
| Tax-exempt clients: | |
| Commingled | 200 |
| Separate | 80 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 1 |

Norstar Investment Advisory Services Inc. is an equity, fixed-income and balanced manager.

Its equity approach is to invest in quality companies whose stocks are temporarily out of favor. It looks for an advantage in these situations to include above-average yield, low p/e, low price to cash flow and low price to book.

Using interest rate anticipation, its fixed-income approach seeks advantages within sectors and between maturity ranges. It invests in sinking fund bonds, depressed convertibles, upgrade credit candidates, bonds of temporarily troubled nuclear utilities, extendible notes and floating-rate notes. It invests defensively.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

There are four 401(k) clients.

The parent company is Norstar Bancorp Inc. Assets under management by the parent, subsidiaries and affiliates total $6.6 billion.

James A. Knauf Jr., president and chief executive officer, is chief investment officer and client contact.

### Norstar Trust Co.

*45 East Ave., Rochester, N.Y. 14604; (716) 546-9085*

| | |
|---|---|
| Total assets managed | $2,924,000,000 |
| Tax-exempt assets managed: | |
| Total | $934,000,000 |
| Commingled | $229,000,000 |
| Separate | $705,000,000 |
| Tax-exempt clients | 2,548 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 27 |
| Size of research staff | 3 |

Norstar Trust Co. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes value, using Graham & Dodd analysis to invest in quality companies whose stocks are temporarily out of favor.

Its fixed-income approach uses interest rate anticipation and sector analysis to seek an advantage over inflation. It invests defensively, looking for advantaged securities within sectors.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent company is Norstar Bancorp Inc. Assets under management by the parent, subsidiaries and affiliates total $6.6 billion.

Frederick W. Stetz, president and chief executive officer, is chief investment officer. Peter E. McLellan, vice president and senior marketing officer, is client contact.

### North American Capital Management

*P.O. Box 6728, Shawnee Mission, Kan. 66206; (913) 381-8401*


# New Edition of AAT

*by* William F. Sharpe

— new projection feature allows user to compare results with targets (such as actuarial assumptions)



Figure 1

Figure 2

AAT (Asset Allocation Tools) is a Lotus 1-2-3® based portfolio optimizing package. A complete analysis within AAT involves the following steps:

1. Select proxy asset classes (over 150 databases include monthly returns from January 1980 through December 1986, updates issued quarterly).
2. AAT computes historic statistics on risks, returns, and correlations and also determines the optimal portfolios for a variety of risk tolerances. Figure 1 displays positions on efficient frontier for various portfolios.
3. Review the Inputs (historic statistics). Revise the Inputs to better reflect future risks, returns, and correlations--and add information on investment objectives, contraints, transaction costs, and holdings. Review the Outputs (optimization results). Reprocess as needed.
4. New projection feature allows user to project results out to any horizon and compare to any target values. Figure 2 displays one of the projection graphs.

▲ *The Scientific Press*

| | |
|---|---|
| Total assets managed | $12,000,000 |
| Tax-exempt assets managed | $3,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CJ |
| Minimum separate account | $80,000 |
| No. of portfolio managers | 1 |

North American Capital Management, an equity manager, invests in large-capitalization, blue-chip companies using market timing and technical and Graham & Dodd analysis. Options are used.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 67% stocks and 33% cash.

North American Capital follows 250 stocks closely and 1,000, generally.

Robert J. McElwain, president, is chief investment officer. Mr. McElwain and Kay Malone are client contacts.

*William F. Bahl*
*The Northern Trust*

### The Northern Trust Co.

*50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-8000*

| | |
|---|---|
| Total assets managed | $20,726,000,000 |
| Tax-exempt assets managed: | |
| Total | $7,438,000,000 |
| Commingled | $7,024,000,000 |
| Separate | $414,000,000 |
| Tax-exempt clients: | |
| Commingled | 308 |
| Separate | 4 |
| Types of accounts managed | CEFG |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

The Northern Trust Co. is a cash investment manager.

Options, stock index futures and fixed-income futures are used.

All assets were in money market and synthetic instruments Jan. 1.

Assets under management by The Northern Trust Co., its subsidiaries and affiliates total $26.53 billion.

Clients include Allied-Signal, Caterpillar, Commonwealth Edison and General Foods.

William F. Bahl is the investment officer. Thomas W. Kimen Jr., senior vice president, is the client contact.

### The Northern Trust Co./Strategic Investment Services

*50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000*

| | |
|---|---|
| Total assets managed | $2,978,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,790,000,000 |
| Commingled | $554,000,000 |
| Separate | $2,236,000,000 |
| 401(k) and 457 assets managed | $30,000,000 |
| International assets managed | $104,000,000 |
| Tax-exempt clients: | |
| Commingled | 64 |
| Separate | 21 |
| Types of accounts managed | CFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

The Northern Trust Co./Strategic Investment Services is an equity, fixed-income and international manager. It also offers asset allocation control, portfolio restructuring, cash synthetic programs, S&P 500 futures arbitrage and dynamic risk management.

Its equity approach is passive, using enhanced index funds. Its fixed-income approach also is passive, using enhanced cash and index funds. Options and stock index and fixed-income futures are used.

The asset mix Jan. 1 was 87% stocks, 10% bonds and 3% cash; $104 million was in foreign stocks, $800 million in equity index funds, $58 million in bond index funds and $215 million in dedicated or immunized portfolios.

There are four 401(k) clients.

The parent company is The Northern Trust Co. Assets under management by the parent, subsidiaries and affiliates total $26.53 billion.

Luke C. Mazur, vice president, is chief investment officer. Charles M. Hundley and Donald W. Beatty, vice presidents, are client contacts.

### Northwestern National Life Insurance Co.

*512 Nicollet Mall, Box 9402, Minneapolis, Minn. 55440; (612) 342-3408*

| | |
|---|---|
| Total assets managed | $5,900,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,700,000,000 |
| GICs | $1,500,000,000 |
| Other | $200,000,000 |
| Types of accounts managed | CF |
| Minimum separate account | $0 |
| No. of portfolio managers | 7 |
| Size of research staff | 13 |

Northwestern National Life Insurance Co., also known as Washington Square Capital, is a guaranteed investment contract manager.

Its equity approach emphasizes market timing. Individually managed equity is offered through affiliate Hahn Holland & Grossman.

Its fixed-income approach is passive; management is offered through affiliate Lotsoff Capital Management.

Northwestern Life includes GICs in its separate accounts; the separate accounts asset mix Jan. 1 was 33% bonds, 33% mortgages and 34% private placements.

Clients include General Mills, FMC, International Paper and Inland Steel.

Steven W. Wishart, president, is chief investment officer. Elizabeth R. Speak, vice president-marketing, is client contact.

### NorthWest Quadrant Inc.

*450 Newport Center Drive, No. 420, Newport Beach, Calif. 92660; (714) 720-9232*

| | |
|---|---|
| Total assets managed | $52,000,000 |
| Tax-exempt assets managed | $26,000,000 |
| 401(k) assets managed | $500,000 |
| Tax-exempt clients | 52 |
| Types of accounts managed | CF |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

NorthWest Quadrant Inc. offers equity, international, bond substitution and natural resources management.

The firm is a hedge equity manager using convertibles, covered options, long stock/long put and closed-end funds. Asset allocation is also offered.

The asset mix Jan. 1 was 95% stocks and 5% cash.

There is one 401(k) client.

Clients include American Rice Growers Association, Radley Electric, Entcor and Citrus/Avocado Pension Trust.

Roger W. Wilson, president, is chief investment officer. Nancy Sweet, vice president and portfolio manager, is client contact.

The master trust directory will be published Sept. 7.

### Norwest Bank Des Moines

*666 Walnut, Des Moines, Iowa 50304; (515) 245-3216*

| | |
|---|---|
| Total assets managed | $1,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $300,000,000 |
| Commingled | $50,000,000 |
| Separate | $250,000,000 |
| 401(k) and 457 assets managed | $30,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients: | |
| Commingled | 250 |
| Separate | 25 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Norwest Bank Des Moines is an equity, fixed-income, balanced and international manager.

Its equity approach is based on growth stocks; its fixed-income approach, on sector analysis.

The asset mix Jan. 1 was 75% stocks, 18% bonds and 7% cash; $10 million was in foreign stocks.

There are 21 401(k) clients.

The bank follows 150 stocks closely and 400, generally.


BALCOR INSTITUTIONAL REALTY ADVISORS, INC.

BIRA on: Screening for Real Estate Investment Managers

When conducting your next search for a real estate investment manager, we suggest you ask your consultant to screen its data base for managers whose organizations...

...have generated a seven-year, since-inception annualized total return that beats the return of the FRC Property Index by at least 300 basis points per year.*

...manage total assets of more than $5 billion.

...manage a tax-exempt portfolio in excess of $1.5 billion.

...have been in business for at least 14 years.

...have a property management company dedicated to adding value.

...are experienced at buying, managing, and selling all types of property, including apartment communities.

...know when to make equity acquisitions and when to make mortgage investments with equity-participation features.

...have current investments in at least 39 states.

The list of managers who survive the screening process won't be long. But you'll find Balcor at the top.

For more information on Balcor Institutional Realty Advisors, Inc., and how we may be able to help you implement your real estate investment policy guidelines, call John West, Executive Vice President, at 312/676-6980.

Smart Thinking in Real Estate

*Information concerning the real estate achievements of The Balcor Company's investment programs that are primarily designed for pension funds can be obtained from Balcor Institutional Realty Advisors, Inc.

Balcor
An American Express company

Balcor Institutional Realty Advisors, Inc.
4849 Golf Road
Skokie, Illinois 60077

The parent company is Norwest Corp. Assets under management by the parent, subsidiaries and affiliates total $6.56 billion.

Clients include Meredith, Winnebago Industries, Metz Baking and Des Moines Teachers.

Al Ostebee, director of marketing, is client contact.

### Norwest Capital Resources

*8th and Marquette Avenue, Minneapolis, Minn. 55479; (612) 372-9493*

| | |
|---|---|
| Total assets managed | $4,060,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,039,000,000 |
| Commingled | $761,000,000 |
| Separate | $1,278,000,000 |
| 401(k) and 457 assets managed | $700,000,000 |
| International assets managed | $11,000,000 |
| Tax-exempt clients: | |
| Commingled | 900 |
| Separate | 300 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 11 |

Norwest Capital Resources is an equity, fixed-income and balanced manager.

Its equity approach is diversified with an emphasis on valuation. Quantitative analysis is used to identify growth and emerging growth stocks.

The fixed-income approach combines sector analysis with interest rate anticipation; high-quality issues are used.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 55% stocks and 45% bonds; $50 million was in equity index funds.

There are 460 401(k) and 457 clients.

The parent company is Norwest Corp. Assets under management by the parent, subsidiaries and affiliates total $6.56 billion.

John Caswell, president Norwest Investment Management Inc., is chief investment officer. David Bodine, vice president, is client contact.

### NSR Asset Management

*605 Third Ave., New York, N.Y. 10158; (212) 687-2200*

| | |
|---|---|
| Total assets managed | $159,000,000 |
| Tax-exempt assets managed | $159,000,000 |
| Mortgage-backed assets managed | $17,000,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | CE |
| Minimum separate account | $2,500,000 |
| No. of portfolio managers | 3 |

NSR Asset Management Corp. is an equity, fixed-income and balanced manager.

Its quantitative, low p/e equity approach uses Graham & Dodd analysis.

Its fixed-income approach uses sector analysis. Portfolio duration variation is modest — plus or minus 20% from the applicable index; sector weighting is up to two times the index. There is an orientation toward yield.

The asset mix Jan. 1 was 61.5% stocks, 16.7% bonds and 21.8% cash.

National Securities & Research Corp. is the parent. Assets under management by the parent, subsidiaries and affiliates total $3 billion.

William R. Sadler, president, is chief investment officer and client contact.

### NWQ Investment Management Co.

*606 S. Olive St., Suite 1410, Los Angeles, Calif. 90014; (213) 613-1053*

| | |
|---|---|
| Total assets managed | $814,000,000 |
| Tax-exempt assets managed | $671,000,000 |
| Tax-exempt clients | 122 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 1 |

NWQ Investment Management Co. is an equity and balanced manager.

Its equity approach combines market timing with low p/e stocks with and above-average yield. Fixed-income instruments are used as equity substitutes when it is believed the risk/reward relationships are attractive and a meaningful opportunity to earn a return well above the coupon rate exists. Interest rate anticipation is used.

The asset mix Jan. 1 was 70% stocks, 15% bonds and 15% cash.

NWQ follows 100 stocks closely and 500, generally; 10% of research is generated internally.

Clients include Directors Guild of America, Unisys and the National Bulk Carriers.

David A. Polak, president and chief investment strategist, is chief investment officer. James P. Owen, executive vice president, is client contact.

## O

### Oakwood Counselors Inc.

*888 Seventh Ave., New York, N.Y. 10106; (212) 757-6495*

| | |
|---|---|
| Total assets managed | $56,000,000 |
| Tax-exempt assets managed | $16,000,000 |
| Tax-exempt clients | 25 |
| Types of accounts managed | F |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 4 |

Oakwood Counselors Inc. is a balanced manager.

Its equity approach uses conceptual investing. It invests in the beneficiaries of secular trends taking place.

Its fixed-income approach anticipates credit spreads and interest rate curves to achieve greatest possible return within risk parameters.

The asset mix Jan. 1 was 52% stocks, 35% bonds and 13% cash.

Options and stock index futures are used.

Paul J. Sherman, president, is chief investment officer. Kenneth H. Mantel, vice president, and Ronda Brandes, treasurer, are client contacts.

### J.W. O'Connor & Co. Inc.

*200 Park Ave., New York, N.Y. 10166; (212) 687-7420*

| | |
|---|---|
| Total assets managed | $620,000,000 |
| Tax-exempt assets managed | $620,000,000 |
| Real estate assets managed | $254,000,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | CFG |
| Minimum separate account | $100,000,000 |

J.W. O'Connor & Co. Inc. is a real estate manager that invests in larger transactions with franchise characteristics, such as center city office buildings and regional shopping centers. It seeks intrinsic value in investments and focuses on physical quality, location, purchase price vs. replacement cost, current vs. market rents, cash-on-cash returns — and whether the potential exists to upgrade the property.

All assets were committed to equity real estate Jan. 1; $254 million was invested.

The parent company is J.W. O'Connor & Co. Inc. Total assets under management by the parent company, subsidiaries and affiliates are $1.2 billion.

Clients include AT&T, Kansas Employees, New York State Common Retirement Fund and Burlington Northern.

Jeremiah W. O'Connor Jr. is chief investment officer. B.G. Gifford, vice president, is client contact.

### Oechsle International Advisors

*260 Franklin St., Boston, Mass. 02110; (617) 439-6270*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed | $383,000,000 |
| International assets managed | $383,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 4 |

Oechsle International Advisors is an international manager.

Its equity approach emphasizes bottom-up stock selection, aggressive top-down country allocation and value orientation. The investment horizon is 18 to 24 months; portfolios are constructed with a limited number of holdings; and investments are managed in a minimum of eight and a maximum of 12 country markets.

The asset mix Jan. 1 was 95% international equities and 5% cash.

A total of 300 stocks are followed closely and 800, generally; 90% of research is generated internally.

Clients include U S WEST, San Francisco City & County Employees, International Paper and North American Philips.

Walter Oechsle, managing partner, is chief investment officer. Stephen P. Langer, partner, is client contact.

### O'Herron & Co. Inc.

*1300 St. Mary's St., Suite 210, Raleigh, N.C. 27605; (919) 834-9224*

| | |
|---|---|
| Total assets managed | $60,000,000 |
| Tax-exempt assets managed | $39,000,000 |
| Tax-exempt clients | 44 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

O'Herron & Co. Inc. is an equity and balanced manager.

Its equity approach uses Graham & Dodd analysis and focuses on value-oriented investments with relatively low p/e ratios and strong balance sheets. About 50% of equity investments are in companies in North and South Carolina.

Its fixed-income approach uses convertible bonds primarily, plus government securities of five years or less maturity.

The asset mix Jan. 1 was 70% stocks, 12% bonds and 18% cash.

Options are used.

The parent company is Foundation Investment Group.

James J. Green, president, is chief investment officer and client contact.

### Michael B. O'Higgins & Co.

*327 State St., Albany, N.Y. 12210; (518) 436-9731*

| | |
|---|---|
| Total assets managed | $136,000,000 |
| Tax-exempt assets managed | $124,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | CEF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Michael B. O'Higgins & Co. is an equity manager.

Its equity approach uses sector rotation, combining low risk and high returns by using a group of large-cap stocks. It constantly compares these stocks to one another on a relative-strength basis to identify investment opportunities.

The asset mix Jan. 1 was 80% stocks and 20% cash.

Clients include Navistar, Skidmore College, American Subcontractors and Camp Dudley YMCA Endowment.

Michael B. O'Higgins is chief investment officer. George B. Chelius III, partner-marketing, is client contact.

### The Ohio Co.

*155 E. Broad St., Columbus, Ohio 43215; (614) 464-5548*

| | |
|---|---|
| Total assets managed | $365,000,000 |
| Tax-exempt assets managed | $311,000,000 |
| Tax-exempt clients | 68 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 4 |

The Ohio Co. is an equity, fixed-income and balanced manager.

Its equity approach buys stock with long-term track records of earnings and dividend growth, superior return-on-equity trends, priced at a 15% to 20% discount to the S&P 500 multiple.

Its fixed-income approach uses interest rate anticipation. Managers are defensive, buying only AAA-rated, government or government-backed securities with average maturities of five to seven years.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

The parent company is The Ohio Co. Total assets under management by the parent company, subsidiaries and affiliates exceed $1 billion.

C.A. Peterson, executive vice president, is chief investment officer. Sam J. Vogel, business development officer, is client contact.

### Old Kent Bank and Trust

*1 Vandenberg Center, Grand Rapids, Mich. 49503; (616) 774-5893*

| | |
|---|---|
| Total assets managed | $3,615,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,266,000,000 |
| Commingled | $565,000,000 |
| Separate | $701,000,000 |
| 401(k) and 457 assets managed | $20,000,000 |
| Tax-exempt clients: | |
| Commingled | 824 |
| Separate | 39 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 7 |

Old Kent Bank and Trust Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach uses a fundamentalist, quality and value-oriented, bottom-up method.

Its fixed-income approach uses interest rate anticipation and sector analysis, emphasizing quality and the use of intermediate bonds to capture the bulk of long yields while avoiding the volatility of long bonds.

In real estate, it selects open-end portfolios managed by others with an emphasis on equity investment in properties outside the Midwest.

The asset mix Jan. 1 was 23% stocks, 65% bonds, 10% cash and 2% equity real estate.

There are 15 401(k) and 457 clients.

The parent company is Old Kent Financial Corp. Total assets managed by the parent company, subsidiaries and affiliates are $4.4 billion.

Mark Johnson, vice president, is chief investment officer. Gary L. Church, vice president, is client contact.

### Olympic Capital Management Inc.

*3008 Rainier Tower, Seattle, Wash. 98101; (206) 447-9399*

| | |
|---|---|
| Total assets managed | $1,700,000,000 |
| Tax-exempt assets managed | $1,640,000,000 |
| Tax-exempt clients | 62 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 5 |

Olympic Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation and Graham & Dodd analysis.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 42% stocks, 42% bonds and 16% cash.

Options are used.

It follows 200 stocks closely and 1,000, generally; 20% of research is generated internally.

The parent company is United Asset Management. The total assets managed by the parent company, subsidiaries and affiliates are $17.824 billion.

Clients include Boeing, Pacific Gas & Electric, Oregon and United Methodist Church.

John S. Crowl, principal, is chief investment officer. Burton K. Carr III, principal, is client contact.

### One Federal Asset Management Inc.

*1 Federal St., Boston, Mass. 02211; (617) 292-3886*

| | |
|---|---|
| Total assets managed | $1,566,000,000 |
| Tax-exempt assets managed | $1,000,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 2 |

One Federal Asset Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses a bottom-up, fundamental stock selection process.

Its fixed-income approach uses risk-controlled active bond management to establish a benchmark to meet client objectives. Portfolios are actively managed around the benchmark.

The asset mix Jan. 1 was 26% stocks, 38% bonds and 36% cash.

It follows 110 stocks closely.

The parent company is Shawmut Corp. The assets under management by the parent company, subsidiaries and affiliates are $4.176 billion.

Thomas B. Brown is chief investment officer. Thomas J. O'Donnell, Albert R. Vandam and George M. Trefeison, vice presidents, are client contacts.

### Oppenheimer Capital Corp.

*Oppenheimer Tower, World Financial Center, New York, N.Y. 10281; (212) 667-7512*

| | |
|---|---|
| Total assets managed | $10,241,000,000 |
| Tax-exempt assets managed | $9,865,000,000 |
| 401(k) assets managed | $4,000,000 |
| Mortgage-backed assets managed | $150,000,000 |
| International assets managed | $145,000,000 |
| Tax-exempt clients | 269 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 18 |
| Size of research staff | 5 |

Oppenheimer Capital Corp. is an equity, fixed-income and balanced manager.

Its equity approach analyzes elements of value that include business segments, undedicated cash flow and hidden assets. Asset allocation is determined by analyzing financial liquidity and levels of market valuation.

Its fixed-income approach is to identify relative value as it applies to sectors of the bond market and maturity structure.

The asset mix Jan. 1 was 63% stocks, 12% bonds, 13% cash and 12% options and futures.

There was $145 million in foreign stocks and $125 million in dedicated or immunized bond portfolios.

There are two 401(k) clients. Options and stock index futures are used.

The parent company is Oppenheimer Financial Corp. The parent, subsidiaries and affiliates had a total of $10.241 billion under management.

George A. Long is chief investment officer. Frank P.L. Minard, managing director, is client contact.

### The Options Group

*50 Broadway, New York, N.Y. 10004; (212) 785-5555*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |

The Options Group is a fixed-income, options and futures manager.

Laurence Chapin is the chief investment officer.

### Oregon Bank

*P.O. Box 2808, 1001 S.W. Fifth St., Portland, Ore. 97208; (503) 222-7611*

| | |
|---|---|
| Total assets managed | $142,000,000 |
| Tax-exempt assets managed: | |
| Total | $63,000,000 |
| Commingled | $19,000,000 |
| Separate | $44,000,000 |
| 401(k) and 457 assets managed | $7,000,000 |
| Tax-exempt clients: | |
| Commingled | 106 |
| Separate | 13 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 3 |

Oregon Bank is an equity, fixed-income and balanced manager.

Its equity approach stresses undervalued equities with low p/es and some bias towards Pacific Northwest companies.

Its fixed-income approach emphasizes consistency of return and principal stability by limiting maturities to 10 years maximum and minimizing credit risk.

The asset mix Jan. 1 was 32% stocks, 56% bonds, 11% cash and 1% real estate.

The firm was acquired by Security Pacific Co. in 1987.

Robert T. Platt, senior vice president, is chief investment officer. Arthur W. Kriegsmann, vice president, is client contact.

### Oxford Realty Advisors

*7316 Wisconsin Ave., Suite 300, Bethesda, Md. 20814; (301) 654-3100*

| | |
|---|---|
| Total assets managed | $79,000,000 |
| Tax-exempt assets managed | $51,000,000 |
| Mortgage-backed assets managed | $51,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | G |
| Minimum separate account | $25,000,000 |

Oxford Realty Advisors, a real estate manager, acquires existing apartments in growing markets that, with the firm's management expertise, will pro-

duce substantial current returns and appreciation.

All tax-exempt assets were in mortgage-backed securities Jan. 1.

The parent company is Oxford Development Corp. Assets under management by the parent, subsidiaries and affiliates total $644 million.

Phillip E. Comeau, president, is chief investment officer and client contact.

# P

## Pacific Financial Cos.

*700 Newport Center Drive, Newport Beach, Calif. 92660; (714) 640-3030*

| | |
|---|---|
| Total assets managed | $3,829,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,829,000,000 |
| Pooled accounts | $295,000,000 |
| Separate accounts | $132,000,000 |
| GICs | $1,459,000,000 |
| Annuities | $569,000,000 |
| Other | $1,374,000,000 |
| Mortgage-backed assets managed | $54,000,000 |
| International assets managed | $9,000,000 |
| Tax-exempt clients | 172 |
| Types of accounts managed | CFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 20 |
| Size of research staff | 5 |

Pacific Financial Cos. is an equity, fixed-income, balanced and real estate manager.

Its equity approach offers a selection of active and passive equity styles to provide clients with options suitable for a broad spectrum of investment needs.

Its fixed-income approach is active, emphasizing high-yield, low-grade securities and interest rate anticipation. Performance objectives and guidelines are tailored to client specifications.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 28% stocks, 32% bonds, 25% cash, 13% mortgage-backed securities and .2% venture capital; $4 million was in foreign stocks, $5 million in foreign bonds and $19 million in equity index funds.

The parent company is Pacific Mutual Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $18.49 billion.

William Cvengros, executive vice president, is chief investment officer. Robert E. Southard, managing director of PM Capital Advisors, is client contact.

## Pacific Financial Research

*9601 Wilshire Blvd., Suite 828, Beverly Hills, Calif. 90210; (213) 278-4461*

| | |
|---|---|
| Total assets managed | $1,597,000,000 |
| Tax-exempt assets managed | $1,363,000,000 |
| Tax-exempt clients | 47 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

Pacific Financial Research is an equity, fixed-income, balanced and South Africa-free manager.

Its equity approach uses Graham & Dodd analysis with low p/e securities in a value-oriented approach with a contrarian bent.

Its fixed-income approach views bonds as equity substitutes and buys them when bonds are cheaper than stocks. Portfolios are structured to capture the value gap between stocks and bonds.

The asset mix Jan. 1 was 49% stocks, 29% bonds and 22% cash.

It follows 700 stocks closely and 2,000, generally; 95% of the research is generated internally.

Clients include Litton, FMC, Lockheed and Grinnell College.

James H. Gipson, president, is chief investment officer and client contact.

## Pacific Investment Management Co.

*840 Newport Center Drive, Suite 360, Newport Beach, Calif. 92660; (714) 640-3031*

| | |
|---|---|
| Total assets managed | $12,349,000,000 |
| Tax-exempt assets managed | $12,277,000,000 |
| Mortgage-backed assets managed | $2,470,000,000 |
| Tax-exempt clients | 82 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 7 |
| Size of research staff | 1 |

Pacific Investment Management Co. is an equity, fixed-income and balanced manager.

Its equity approach is contrarian, using quantitative techniques and large-cap growth stocks. It focuses, through its valuation methodology, on seasoned, high-quality companies with consistent above-average earnings growth.

In fixed income, it is an active manager seeking value across the entire bond market by incorporating a secular and cyclical outlook in executing strategies.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 3% stocks, 56% bonds, 21% cash and 20% mortgage-backed securities.

The parent company is Pacific Financial Cos., a unit of Pacific Mutual Life Insurance. Assets under management by the parent, subsidiaries and affiliates total $18.49 billion.

Clients include AT&T, 3M, Illinois Teachers and Southern California Retail Clerks.

James F. Muzzy, managing director, is client contact.

## Palley-Needelman Asset Management Inc.

*1501 Quail St., Suite 110, Newport Beach, Calif. 92660; (714) 752-2233*

| | |
|---|---|
| Total assets managed | $105,000,000 |
| Tax-exempt assets managed | $47,000,000 |
| Tax-exempt clients | 42 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Palley-Needelman Asset Management Inc. is an equity and balanced manager.

Its equity approach is to purchase low p/e, high-yield, low-beta, strong balance sheet issues with positive free cash flow and stable industry characteristics. It uses bottom-up security selection and top-down asset allocation.

In fixed income it is a duration manager, using short to intermediate government and high-grade corporate securities clustered around a target maturity date.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash.

Roger B. Palley, president, is chief investment officer. Steven M. Borowski, director of investment services/marketing, is client contact.

## Palm Beach Capital Management Inc.

*151 Royal Palm Way, Palm Beach, Fla. 33480; (305) 820-1066*

| | |
|---|---|
| Total assets managed | $322,000,000 |
| Tax-exempt assets managed | $14,000,000 |
| Mortgage-backed assets managed | $1,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Palm Beach Capital Management Inc. is an equity, fixed-income, balanced and options manager.

Its equities approach uses Graham & Dodd and quantitative analysis with low p/e stocks. Its multifactor model screens 1,000 companies; stocks in the top quintile undergo fundamental review before a purchase is made.

Its fixed-income approach uses interest rate anticipation, focusing on undervalued sectors.

Options are used.

The asset mix Jan. 1 was 43% stocks, 28% bonds, 22% cash and 7% mortgage-backed securities.

The parent company is Southeast Bank. Assets under management by the parent, subsidiaries and affiliates total $3 billion.

T.M. Keresey is chief investment officer. Floyd L. Wideman Jr., executive vice president, is client contact.

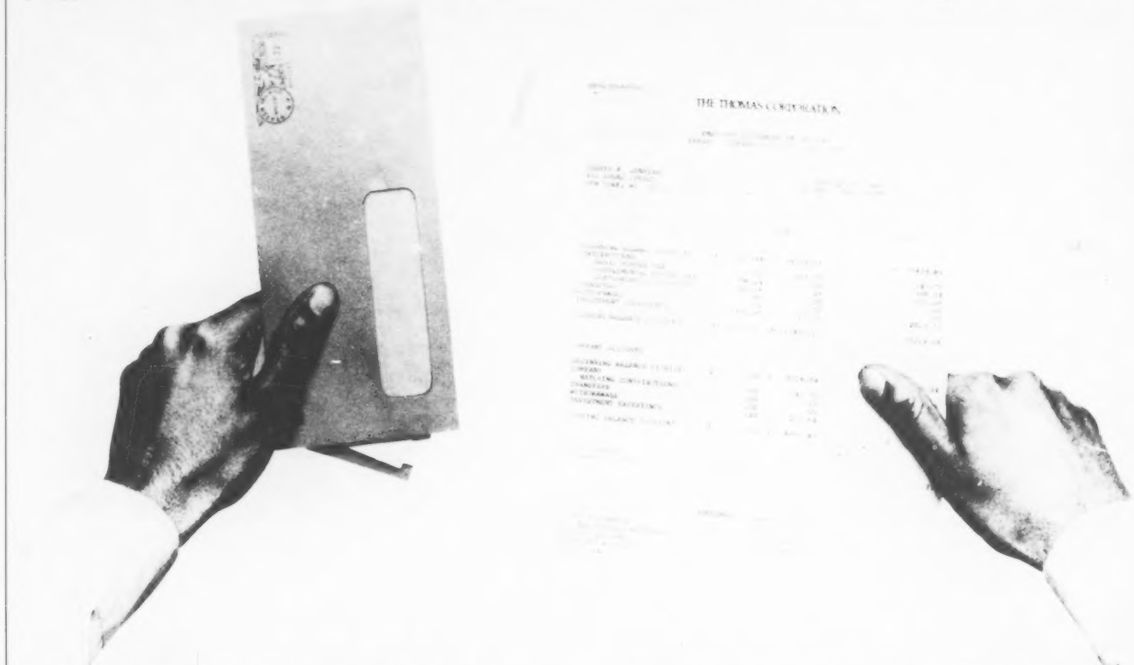
## The Palmieri Co.

*2021 K St., N.W., Suite 700, Washington, D.C. 20006; (202) 223-8690*

| | |
|---|---|
| Total assets managed | $1,700,000,000 |
| Tax-exempt assets managed | $300,000,000 |
| Real estate assets managed | $200,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CEG |
| Minimum separate account | $1,000,000 |

*ImpleFacts—The Defined Contribution Administration System*

# Tax reform. Two major plans. 20,000 participants. But Joe Jenkins still gets his statement on time, every time.



Joe Jenkins has no idea how difficult it is to administer defined contribution plans. He doesn't worry about tax reform, or legal and regulatory changes that complicate an already complex problem. All he knows is that he always gets his statement on time.

Joe works for a large company that uses ImpleFacts to administer a defined contribution program with two major plans and 20,000 participants. Even the far-reaching effects of the new tax laws were taken in stride by this comprehensive software system from Erisco.

Not only do all 20,000 participants get checks and statements on time. Thanks to ImpleFacts' custom output generator, management quickly gets what's needed, with no special programming. This unique feature merges information from many sources, such as payroll, benefits, plan rules and participant accounts. Administrators can format and generate ad hoc reports, group summaries for example, by defining criteria online. They can amend plan changes online, or create reminders such as upcoming fund elections to be included as payroll stuffers. And they can design inquiry screens to simplify and speed responses to participants' questions.

With a unique option named FactsLine, participants can get routine account information via Touch-tone phone almost any time. It can cut administrative time and costs while improving service.

Since its introduction in 1972, the long-term benefits of ImpleFacts have been amply proved. The system's adaptability lets us make revisions and add enhancements when necessary. Its flexibility enables ImpleFacts to handle requirements ranging from 401(k)s, ESOPs and savings plans to loan recordkeeping and tax reporting.

Are you a large organization with a defined contribution plan? If so, we'd like to show you how ImpleFacts' timely, accurate recordkeeping can help you respond more quickly to participants, make payments faster and manage your plans more effectively.

To learn more about ImpleFacts or other Erisco benefits software, call or write the Sales Department at Erisco, 1700 Broadway, NY, NY 10019, (212) 765-8500.

IMPLEFACTS

*Erisco—The benefits of information*

Erisco

a company of The Dun & Bradstreet Corporation

The Palmieri Co. is a real estate manager.

Its real estate approach is active management of turnaround situations.

The asset mix Jan. 1 was 33% cash, 37% equity real estate and 30% mortgages.

There was $110 million in equity real estate and $90 million in mortgages.

John A. Koskinen, president, is chief investment officer and client contact.

## Paribas Asset Management

*30 Rockefeller Center, New York, N.Y. 10020; (212) 408-0975*

| | |
|---|---|
| Total assets managed | $238,000,000 |
| Tax-exempt assets managed | $217,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 6 |

Paribas Asset Management is an equity, fixed-income and balanced manager.

Its equity approach uses quantitative analysis to select large-cap stocks.

The asset mix Jan. 1 was 94% stocks and 6% cash; $20 million was in equity index funds.

The parent company is Compagnie Financiere de Paribas. Assets under management by the parent, subsidiaries and affiliates total $4 billion.

S. Ravi Aiyer is chief investment officer. Denis R. Bastin, senior vice president, is client contact.

## The Park National Bank

*P.O. Box AH, Newark, Ohio 43055; (614) 349-8451*

| | |
|---|---|
| Total assets managed | $151,000,000 |
| Tax-exempt assets managed | $48,000,000 |
| Types of accounts managed | CEF |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 1 |

The Park National Bank is an equity, fixed-income and balanced manager.

Its equity approach uses growth and low p/e stocks. Its fixed-income approach is passive.

The asset mix Jan. 1 was 34% stocks, 17% bonds and 49% cash.

It follows 200 stocks closely and 400, generally.

The parent company is The Park National Corp. Assets under management by the parent, subsidiaries and affiliates total $230 million.

Terry Myers, trust officer, is chief investment officer. Stuart N. Parsons, vice president and trust officer, is client contact.

## Parker Dillon Carlson & Johnson Inc.

*120 W. Third St., Suite 300, Dayton, Ohio 45402; (513) 223-0600*

| | |
|---|---|
| Total assets managed | $23,000,000 |
| Tax-exempt assets managed | $19,000,000 |
| 401(k) assets managed | $500,000 |
| Tax-exempt clients | 54 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Parker Dillon Carlson & Johnson Inc. is an equity, fixed-income and balanced manager.

Its equity approach maintains a carefully diversified portfolio of small- to medium-size companies using a disciplined relative valuation process for buy/sell decisions.

Its fixed-income approach is passive, maintaining a diversified portfolio of U.S. government securities with an average maturity of 3 years.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash.

There are three 401(k) clients.

Leslie O. Parker III, president, is chief investment officer. Gayle Rominger, vice president, is client contact.

## The Parkins Investment Advisory Corp.

*1600 E. Robinson, Orlando, Fla. 32803; (305) 896-9384*

| | |
|---|---|
| Total assets managed | $27,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| 401(k) assets managed | $100,000 |
| Real estate assets managed | $5,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

The Parkins Investment Advisory Corp. is a balanced and real estate manager.

Its equity approach measures investments for conservation of capital, income, opportunities for gain and underlying economic value.

In fixed income, it looks for total returns, gain opportunity and income when interest rates are low, and pure yield and conservation of capital when interest rates rise.

Its real estate approach is to acquire existing income-producing property without debt.

The asset mix Jan. 1 was 30% stocks, 15% bonds, 30% equity real estate, 20% convertible securities and 5% money markets.

There is one 401(k) client.

The parent company is The Parkins Investment Cos. Inc. Assets under management by the parent, subsidiaries and affiliates total $100 million.

Raymond A. Parkins Jr., president, is chief investment officer. Barbara Tennis Markham, senior vice president, is client contact.

## Parmelee Management Corp.

*950 Third Ave., New York, N.Y. 10022; (212) 753-1597*

| | |
|---|---|
| Total assets managed | $65,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

Parmelee Management Corp., an equity manager, uses sector rotation in purchasing growth, emerging growth and low p/e stocks. Interest rate anticipation is used for fixed income.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

It follows 50 stocks closely and 100, generally; 25% of research is generated internally.

Alfred G. Parmelee, president, is chief investment officer and client contact.

## PCM International

*745 Broad St., Newark, N.J. 07101; (201) 877-7982*

| | |
|---|---|
| Total assets managed | $2,588,000,000 |
| Tax-exempt assets managed | $570,000,000 |
| International assets managed | $570,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 7 |

PCM International is an international equity, international fixed-income and global yield manager.

Its equity approach identifies the best earnings prospects relative to current price and avoids stocks exposed to bear markets globally. Market timing is used.

Its fixed-income approach uses active currency and maturity management. It owns government-quality securities in markets that are fundamentally sound.

Options and fixed-income futures are used.

All assets were invested overseas as of Jan. 1, with 50% in stocks and 50% in bonds.

The parent company is Prudential Insurance Co. of America. Assets under management by the parent, subsidiaries and affiliates total $177.5 billion.

Barry Gillman, managing director, is chief investment officer and client contact.

## The Peckham Boston Co.

*4 Longfellow Place, No. 3305, Boston, Mass. 02114; (617) 523-4440*

| | |
|---|---|
| Total assets managed | $18,000,000 |
| Tax-exempt assets managed | $18,000,000 |
| Real estate assets managed | $18,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |

The Peckham Boston Co., a real estate manager, emphasizes properties net leased to strong national companies. Parameters include guaranteed fixed income combined with upside holdings.

All assets Jan. 1 were in equity real estate.

John M. Peckham III is chief investment officer. George Fantini of Boston Financial is client contact.

## Pembroke Management Ltd.

*1018 Sun Life Building, 1155 Metcalf St., Montreal, Quebec H3B 2W8; (514) 866-2724*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed: | |
| Total | $100,000,000 |
| For subsidiaries of U.S. firms | $20,000,000 |
| Tax-exempt clients: | |
| Total | 3 |
| U.S. subsidiaries | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Pembroke Management Ltd., a Canadian firm, is an equity manager that concentrates its investments in growth and emerging growth stocks.

The asset mix Jan. 1 was 90% stocks and 10% cash.

It follows 100 stocks closely.

N.B. Ivory is chief investment officer. Ian A. Soutar is client contact.

## The Penn Mutual Life Insurance Co.

*Independence Square, Philadelphia, Pa. 19172; (215) 625-5869*

| | |
|---|---|
| Total assets managed | $4,500,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,156,000,000 |
| Pooled accounts | $71,000,000 |
| GICs | $242,000,000 |
| Annuities | $260,000,000 |
| Other | $583,000,000 |
| Tax-exempt clients | 1,199 |
| Types of accounts managed | CEFG |
| No. of portfolio managers | 2 |

The Penn Mutual Life Insurance Co., an equity manager, emphasizes fundamental analysis and factors that indicate above-average future growth in earnings per share.

The separate accounts asset mix Jan. 1 was 56% stocks and 44% in money markets.

It follows 80 stocks closely and 120, generally; 25% of research is generated internally.

James W. Bryant, senior vice president, is chief investment officer. W. Borden Ayers, vice president-pensions sales, is client contact.

## Penreal Advisors Ltd.

*600-1100 Melville St., Vancouver, British Columbia V6E 4A6; (604) 685-8351*

| | |
|---|---|
| Total assets managed | $75,000,000 |
| Tax-exempt assets managed: | |
| Total | $75,000,000 |
| For subsidiaries of U.S. firms | $20,000,000 |
| Real estate assets managed | $75,000,000 |
| Tax-exempt clients: | |
| Total | 50 |
| U.S. subsidiaries | 15 |
| Types of accounts managed | CU |
| No. of portfolio managers | 6 |
| Size of research staff | 3 |

Penreal Advisors Ltd., a Canadian firm, is a real estate manager that focuses on aggressive acquisition of income-producing properties in major Canadian cities where income and value can be enhanced by property improvement, expansion and internal management.

All assets Jan. 1 were in equity real estate.

Walter R. Badun, president, is chief investment officer. Garth D. Carefoot, vice president-finance, is client contact.

## Pension Management Co.

*541 Post Oak Tower, Houston, Texas 77056; (713) 552-1440*

| | |
|---|---|
| Total assets managed | $30,000,000 |
| Tax-exempt assets managed | $27,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CJG |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Pension Management Co. is an equity, fixed-income, balanced and gold stock manager.

Its equity approach uses sector rotation and market timing with growth and low p/e stocks.

Its fixed-income approach uses sector analysis.

The asset mix Jan. 1 was 25% stocks, 65% bonds and 10% cash.

There are two 401(k) clients.

It follows 20 stocks closely and 20, generally; 95% of research is generated internally.

John H. Lee, research director, is chief investment officer and client contact.

## Pension Portfolio Advisors

*25800 Northwestern Highway, Southfield, Mich. 48037; (313) 357-4800*

| | |
|---|---|
| Total assets managed | $75,000,000 |
| Tax-exempt assets managed | $75,000,000 |
| 401(k) assets managed | $3,000,000 |
| Tax-exempt clients | 98 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 5 |

Pension Portfolio Advisors is a balanced manager.

Its equity approach uses a combination of passive, growth stock and equity income investing.

Its fixed-income approach uses sector analysis with attention given to maturity and quality of investments.

The asset mix Jan. 1 was 50% stocks and 50% bonds; $9 million was in equity index funds.

There are three 401(k) clients.

The parent company is Maccabees Mutual Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $223.1 million.

John McCormick, treasurer, is chief investment officer. Walt Hanson, vice president, is client contact.

## Peregrine Capital Management

*512 Nicollet Mall, Suite 830, Minneapolis, Minn. 55402-1099; (612) 372-9088*

| | |
|---|---|
| Total assets managed | $762,000,000 |
| Tax-exempt assets managed | $516,000,000 |
| Mortgage-backed assets managed | $130,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |

Peregrine Capital Management is an equity and fixed-income manager.

Its equity approach is aggressive and contrarian. Its aggressive, emerging growth style seeks information gaps in small, misunderstood companies with potential for dramatic price appreciation.

Its fixed-income approach is interest rate-driven, employing sector analysis and using non-traditional securities.

Options are used.

The asset mix Jan. 1 was 34% stocks, 26% bonds, 15% cash and 25% mortgage-backed securities.

The parent company is Norwest Corp. Assets under management by the parent, subsidiaries and affiliates total $6.56 billion.

Robert B. Mersky, president, is chief investment officer. Ann Frenzen, senior vice president, is client contact.

## Perkins Capital Management

*919 Twelve Oaks Center, 15500 Wayzata Blvd., Wayzata, Minn. 55391; (612) 473-8367*

| | |
|---|---|
| Total assets managed | $40,000,000 |
| Tax-exempt assets managed | $16,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Perkins Capital Management Inc. is an equity and balanced manager.

Its equity approach emphasizes market timing and stock selection. It seeks unrecognized, transitional companies for underlying higher earnings and higher p/e ratio.

Its fixed-income approach seeks maximum income consistent with perceived quality rating with interest rate anticipation.

The asset mix Jan. 1 was 90% stocks, 5% bonds and 5% cash.

Richard W. Perkins, president, is chief investment officer and client contact.

## Peters, Gamm and West Inc.

*214 S. Rock Road, Suite 105, Wichita, Kan. 67207; (316) 687-2143*

| | |
|---|---|
| Total assets managed | $927,000,000 |
| Tax-exempt assets managed | $571,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |

Peters, Gamm and West Inc., formerly Investment Management Group, is a top-down fixed-income manager that uses economic analysis and projection to anticipate interest rate moves. Options and fixed-income futures are used.

The asset mix Jan. 1 was 96% bonds and 4% cash.

Clients include Kansas Public Employees, Wisconsin Public Service and MDU Resources Group.

Don S. Peters, managing director, is chief investment officer. Marc A. Vincent, senior portfolio manager, is client contact.

## Petersen, Flynn & Dinsmore

*1 Market Plaza, San Francisco, Calif. 94105; (415) 777-0344*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | $300,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEFG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 2 |

Petersen, Flynn & Dinsmore is an equity and balanced manager.

Its equity approach emphasizes growth and low p/e stocks. Its fixed-income approach is driven by interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

It follows 50 stocks closely and 1,500, generally; 25% of research is generated internally.

Larry Petersen, partner, is client contact.

Landauer
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investment advisor to
a major pension fund
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$50,000,000
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The Prudential Insurance
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335 Madison Avenue New York, NY 10017 (212) 687-2323

### Petroleum & Resources

*7 St. Paul St., Baltimore, Md. 21202; (301) 752-5900*

| | |
|---|---|
| Total assets managed | $276,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 6 |

Petroleum & Resources Corp., an energy and natural resources equity manager, identifies undervalued stocks by concentrating on micro factors affecting segments of energy and resources industries and macro supply-demand and exogenous factors. Options are used.

All assets Jan. 1 were in stocks.

It is affiliated with Adams Express, which owns 10% of Petroleum & Resources. Assets under management by the affiliates total $744 million.

W.D. MacCallan, chairman and chief executive officer, is chief investment officer. Monica C. Loh, vice president-investment advisory services, is client contact.

### Philadelphia Investment Management Group

*1616 Walnut St., Suite 2011, Philadelphia, Pa. 19103; (215) 545-0079*

| | |
|---|---|
| Total assets managed | $80,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| International assets managed | $6,000,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 5 |

Philadelphia Investment Management Group is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, purchasing stocks with low institutional ownership and low analyst coverage along with traditional income statement, balance sheet and funds flow ratios.

Its fixed-income approach is passive, concentrating investment in convertibles, synthetic convertibles and neglected debt issues.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash; $6 million was in foreign stocks.

Alexander Parkhurst, executive vice president, is chief investment officer. Mr. Parkhurst and William M. Shettle, president, are client contacts.

### Phillips, Hager & North Ltd.

*1055 W. Hastings St., Suite 1700, Vancouver, British Columbia V6E 2H3; (604) 684-4361*

| | |
|---|---|
| Total assets managed | $2,300,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,025,000,000 |
| For subsidiaries of U.S. firms | $186,000,000 |
| Tax-exempt clients: | |
| Total | 77 |
| U.S. subsidiaries | 8 |
| Types of accounts managed | CEU |
| Minimum separate account | $9,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 5 |

Phillips, Hager & North Ltd., a Canadian firm, is an equity, fixed-income and balanced manager.

In its equity approach it determines the likely course of economic activity and its impact on equity markets. Graham & Dodd analysis is used with the growth stock and market-timing approach. Technical indicators are used for market timing.

Its fixed-income approach emphasizes interest rate anticipation and sector analysis to seek opportunities within a maturity structure set by expected interest rates and the shape of yield curve.

The asset mix Jan. 1 was 44% Canadian stocks, 28% bonds, 12% cash, 3% mortgages and 13% U.S. stocks.

It follows 200 stocks closely and 500, generally; all research is generated internally.

Clients include Sperry, Syncor, IWA and Champion.

Robert S. Hager is chief investment officer. F. "Rick" Brooks-Hill and R. "Dick" Bradshaw are client contacts.

### Phoenix Mutual Life Insurance Co.

*1 American Row, Hartford, Conn. 06115; (203) 275-5000*

| | |
|---|---|
| Total assets managed | $4,719,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,551,000,000 |
| Pooled accounts | $430,000,000 |
| Separate accounts | $154,000,000 |
| GICs | $710,000,000 |
| Annuities | $43,000,000 |
| Other | $214,000,000 |
| Real estate assets managed | $155,000,000 |
| Tax-exempt clients | 539 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 6 |

Phoenix Mutual Life Insurance Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach seeks appreciation through value and attempting to own industries where growth is anticipated. Loss avoidance is emphasized.

Its fixed-income approach uses interest rate anticipation and sector analysis.

Options, stock index futures and fixed-income futures are used.

In real estate, it makes participating investments in developmental and existing properties in suburban markets, acquiring them at below-market prices. It diversifies by geography and property type.

The separate accounts asset mix Jan. 1 was 40% stocks, 11% bonds, 22% cash, 26% equity real estate, 0.3% mortgages and 0.7% receivables.

Assets managed by Phoenix Mutual Life Insurance Co., its subsidiaries and affiliates total $6.3 billion.

Philip R. Reynolds, executive vice president, is chief investment officer. H. Russell Irving, vice president-group pension marketing, is client contact.

### Piedmont Capital Management Associates

*300 WatersEdge, Hilton Head, S.C. 29928; (803) 785-3330*

| | |
|---|---|
| Total assets managed | $298,000,000 |
| Tax-exempt assets managed | $16,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Piedmont Capital Management Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses a continuous assessment and financial analysis of corporate earnings and future potential. Its appraisal is based on interest rate trends as a measure of investment risk and future earnings and dividend growth.

Its fixed-income objective is to maximize total return subject to specified risk guidelines. Evaluation is determined by seasonal, cyclical and secular interest rates. Maturity and sector distribution is emphasized.

Options are used.

The asset mix Jan. 1 was 4% stocks, 95% bonds and 1% cash.

Walter M. Campbell, president, is chief investment officer. Margot R. McCord, vice president, is client contact.

### Piedmont Reality Advisors

*650 California St., 22nd Floor, San Francisco, Calif. 94108; (415) 433-4100*

| | |
|---|---|
| Total assets managed | $1,250,000,000 |
| Tax-exempt assets managed | $190,000,000 |
| Real estate assets managed | $190,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 1 |

Piedmont Realty Advisors, a real estate manager, acquires and manages investments in office buildings, apartments, retail, industrial, hotels and land nationwide. The firm's primary investment structures are equity joint ventures and participating debt with nationally recognized developers.

The asset mix Jan. 1 was 30% equity real estate and 70% mortgages.

Robert H. Zerbst, president, is chief investment officer. John M. Mickel, executive vice president, is client contact.

### Pilgrim Baxter Greig & Associates

*1255 Drummers Lane, Suite 200, Wayne, Pa. 19087; (215) 341-9000*

| | |
|---|---|
| Total assets managed | $1,095,000,000 |
| Tax-exempt assets managed | $1,095,000,000 |


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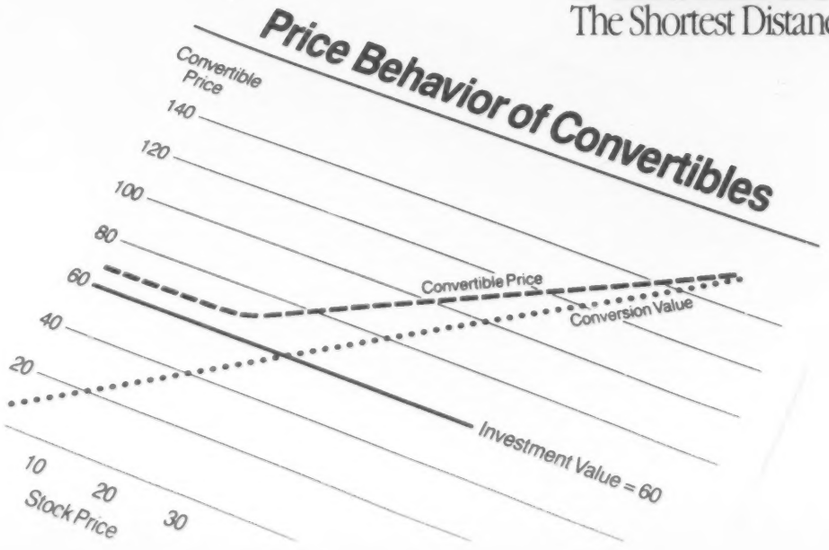


| | |
|---|---|
| Tax-exempt clients | 15 |
| Types of accounts managed | CEG |
| No. of portfolio managers | 1 |
| Size of research staff | 5 |

Pilgrim Baxter Greig & Associates is an equity and mutual fund manager that focuses on growth stocks.

The asset mix Jan. 1 was 96% stocks and 4% cash.

Clients include Pennsylvania State Employes, Kansas Public Employees and Rockwell International.

Gary L. Pilgrim is chief investment officer. Harold J. Baxter, president and chief executive officer, is client contact.

## Pilgrim Group Inc.

*10100 Santa Monica Blvd., 21st Floor, Los Angeles, Calif. 90067; (213) 551-0833*

| | |
|---|---|
| Total assets managed | $1,800,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| 401(k) assets managed | $100,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Pilgrim Group Inc. is an international manager.

Its equity approach uses emerging growth, growth and low p/e stocks, applying a four-step screen — rising dividends, reinvested earnings, strong balance sheet and attractive price — to pinpoint purchases.

For fixed income, it offers GNMA and high-yield trust mutual funds.

The asset mix Jan. 1 was 80% stocks and 20% bonds; $10 million was in foreign bonds.

There are 150 401(k) clients.

The parent company is First Capital Holding. Assets under management by the parent, subsidiaries and affiliates total $2.3 billion.

Palomba Weingarten is chief investment officer. Allan M. Rudnick is client contact.

## Pioneering Management

*60 State St., Boston, Mass. 02109; (617) 742-7825*

| | |
|---|---|
| Total assets managed | $5,579,000,000 |
| Tax-exempt assets managed | $750,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 12 |

Pioneering Management is an equity, fixed-income and balanced manager.

Its equity approach focuses on selection of individual stocks using a consistent value-oriented approach with long-term investment horizons.

Its fixed-income approach stresses stability of income from high-quality bonds with minimal exposure to the long-term market and gradual maturity restructuring over the business cycle.

The asset mix Jan. 1 was 85% stocks and 15% bonds.

It generates 90% of its research internally.

The parent company is the Pioneer Group Inc. Total assets under management by the parent, subsidiaries and affiliates is $5.579 billion.

David Tripple, vice president, is chief investment officer. Sherman Russ, vice president-fixed income, and John Foster, vice president-private equities, are client contacts.

## Pittsburgh National Bank

*1 Oliver Plaza, Pittsburgh, Pa. 15265; (412) 355-3473*

| | |
|---|---|
| Total assets managed | $5,443,000,000 |
| Tax-exempt assets managed | |
| Total | $3,034,000,000 |
| Commingled | $148,000,000 |
| Separate | $2,886,000,000 |
| 401(k) and 457 assets managed | $180,000,000 |
| Mortgage-backed assets managed | $72,000,000 |
| Tax-exempt clients | |
| Commingled | 1,127 |
| Separate | 247 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 4 |

Pittsburgh National Bank is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using market timing and sector rotation.

*John Martin*

Based on interest rate anticipation, its fixed-income approach is passive with dedicated bond programs in both cash- and duration-matched portfolios.

It uses options, stock index futures and fixed-income futures.

The asset mix Jan. 1 was 44% stocks, 46% bonds, 8% cash and 2% mortgage-backed securities; $346 million was in dedicated or immunized portfolios.

There are 17 401(k) and 457 plan clients.

The parent company is PNC Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $34 billion.

John Martin, vice president, is chief investment officer. Seth A. Wanetik is client contact.

## Platner & Associates

*Chamber of Commerce Building, 462 Walnut St., Allentown, Pa. 18102; (215) 821-0160*

| | |
|---|---|
| Total assets managed | $23,000,000 |
| Tax-exempt assets managed | $4,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

Platner & Associates is an equity and balanced manager.

Its equity approach uses emerging growth and growth stocks and sector rotation. Fundamental analysis underscores stock selection, with an emphasis on asset allocation into various sectors as market conditions and attitudes change.

Its fixed-income approach uses interest rate anticipation, emphasizing high-quality and diversified securities with maturities in the intermediate range.

Options are used.

The asset mix Jan. 1 was 60% stocks, 25% bonds, 10% cash, 2% equity real estate and 3% international.

Robert F. Platner is chief investment officer and client contact.

## Plexus Group

*606 Wilshire Blvd, Suite 200, Santa Monica, Calif. 90401; (213) 451-5075*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |

Plexus Group is an equity, fixed-income, balanced and international manager.

It uses quantitative and mechanical processes to create customized passive and active portfolios in equity and fixed-income management.

Active equity approaches include low p/e stocks, some growth and emerging growth stocks, and some use of Graham & Dodd analysis. It provides risk-control portfolios and originated the Transitional Manager to reduce the cost of moving large portfolios during manager and other changes. Stock index futures and fixed-income futures are used.

Wayne H. Wagner is partner and chief investment officer. Edward C. Story, partner-client communications, is client contact.

## PM Portfolio Management

*Friedrichstrasse 9, 8000 Munich 40, West Germany; (89) 30-20-36*

| | |
|---|---|
| Total assets managed | $138,000,000 |
| Tax-exempt assets managed | $95,000,000 |
| International assets managed | $95,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

PM Portfolio Management GmbH is an equity, balanced and international manager.

Its equity approach uses emerging growth and growth stocks and market timing. The firm offers three portfolio management services: The Europlan equity fund, focusing on stocks, dividend-right certificates, warrants and convertible bonds; the European balanced fund, focusing on European stocks, bonds and money market instruments; the European small company funds, focusing on securities of small-cap European companies.

All assets were invested overseas as of Jan. 1, with 91.4% stocks, 0.4% bonds and 8.2% cash.

Walter Kames, board director, is chief investment officer. Friedrich Pott, director, and Ulrich R. Kuettner, fund manager, are client contacts.

## PMRealty Advisors

*800 Newport Center Drive, Suite 300, Newport Beach, Calif. 92660; (714) 721-5000*

| | |
|---|---|
| Total assets managed | $480,000,000 |
| Tax-exempt assets managed | $136,000,000 |
| Real estate assets managed | $136,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 4 |

PMRealty Advisors, a real estate manager, concentrates on income-producing retail and multitenant industrial properties in high-growth corridors of major metropolitan areas.

All assets Jan. 1 were in real estate equity.

The parent company is Pacific Mutual Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates are $18.487 billion.

Carl A. Mayer Jr., managing director, is chief investment officer. Pete Hammer, managing director, is client contact.

## Portfolio Capital Management Inc.

*2 Fairview Plaza, Suite 610, 5950 Fairview Road, Charlotte, N.C. 28210; (704) 552-0073*

| | |
|---|---|
| Total assets managed | $54,000,000 |
| Tax-exempt assets managed | $25,000,000 |
| Tax-exempt clients | 47 |
| Types of accounts managed | CE |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Portfolio Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses value/momentum in buying stocks with below-average p/e ratios and with favorable earnings momentum. It uses Graham & Dodd analysis.

Its fixed-income approach is passive. Staggered maturities are used, with a weighted average maturity of two to five years depending on its interest rate forecast.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash.

R. Hatten Hodges Jr., chairman, is chief investment officer and client contact.

## The Portfolio Group Inc.

*30 Rockefeller Plaza, New York, N.Y. 10112; (212) 621-2370*

| | |
|---|---|
| Total assets managed | $2,199,000,000 |
| Tax-exempt assets managed | $331,000,000 |
| 401(k) assets managed | $7,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 242 |
| Types of accounts managed | CEF |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 14 |
| Size of research staff | 4 |

The Portfolio Group Inc. is an equity, fixed-income, balanced and international manager.

Its equity approach is bottom up, emphasizing high return on invested capital and market level p/e.

For fixed income, it uses a current coupon duration-matching approach based on the Shearson Lehman Government/Corporate bond index supplemented by opportunistic trading.

The asset mix Jan. 1 was 35% stocks, 50% bonds and 15% cash; $10 million was in foreign stocks.

There are five 401(k) clients.

The parent company is Chemical New York Corp. Assets managed by the parent, subsidiaries and affiliates total $16 billion.

Stephen B. Timbers is executive vice president and chief investment officer. James M. O'Donnell, senior vice president and director of sales, is client contact.

## Portfolio Timing Inc.

*P.O. Box 2353, Tacoma, Wash. 98401; (206) 383-1676*

| | |
|---|---|
| Total assets managed | $17,000,000 |
| Tax-exempt assets managed | $9,000,000 |
| 401(k) assets managed | 325,000 |
| Tax-exempt clients | 53 |
| Types of accounts managed | C |
| Minimum separate account | $35,000 |
| No. of portfolio managers | 1 |

Portfolio Timing Inc. is an equity, fixed-income and balanced manager.

Its equity approach is a 100% movement of assets between no-load equity mutual funds and money market funds using a proprietary timing model.

For fixed income, it moves between long-term, no-load bond funds and money market funds.

The asset mix Jan. 1 was 77% stocks and 23% bonds.

There are two 401(k) clients.

Carl J. Kludt is chief investment officer. Les Cathersal, vice president-marketing, is client contact.

## Potomac Asset Management

*5247 Wisconsin Ave. N.W., No. 5, Washington, D.C. 20015; (202) 364-6900*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | $285,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Potomac Asset Management Inc. is an equity and balanced manager.

Its equity approach is value-oriented, risk-averse, using a bottom-up approach and specializing in growth and special situations. Buy-sell and beta ranges are established for each stock.

Its fixed-income approach is passive and captures the major trends in interest rates rather than numerous short-term trading moves.

The asset mix Jan. 1 was 80% stocks, 17% bonds and 3% cash.

It follows 70 stocks closely and 100, generally; 25% of research is generated internally.

Clients include Operating Engineers, District of Columbia Retirement Fund, American University and Dynelectron.

Peter Ladd Gilsey is the chief investment officer. Howard McK. Tucker is client contact.

## Premier Investment Advisors

*Place St. Charles, Suite 4318, 201 St. Charles Ave., New Orleans, La. 70170-4318; (501) 582-1234*

| | |
|---|---|
| Total assets managed | $1,287,000,000 |
| Tax-exempt assets managed | |
| Total | $584,000,000 |
| Commingled | $58,000,000 |
| Separate | $526,000,000 |
| Tax-exempt clients | |
| Commingled | 250 |
| Separate | 237 |
| Types of accounts managed | CFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |

Premier Investment Advisors is an equity, fixed-income and balanced manager.

Its equity approach uses a computer program to build and optimize portfolios based on 18-month projected earnings. Rebalancing assures investment in low p/e companies.

Its fixed-income approach is passive, employing sector analysis with prime consideration given to the yield curve, interest trends, technical aspects in the market and sector spreads.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash.

The parent company is Louisiana Bancshares. Assets under management by the parent, subsidiaries and affiliates is $1.287 billion.

Donald E. Allred is chief investment officer. Ken Ross, president, is client contact.

## Prescott Asset Management

*1331 Euclid Ave., Cleveland, Ohio 44115; (216) 696-3360*

| | |
|---|---|
| Total assets managed | $424,000,000 |
| Tax-exempt assets managed | $243,000,000 |
| 401(k) assets managed | $41,000,000 |
| Mortgage-backed assets managed | $39,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients | 148 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |

Prescott Asset Management is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles to identify low p/e value stocks. A blend of top-down "central tendency," industry and fundamental value analyses define how the market will value assets under the prevailing and future environments.

The asset mix Jan. 1 was 41% stocks, 30% bonds, 13% cash and 16% mortgage-backed securities.

There are 42 401(k) clients.

The parent company is Prescott, Ball & Turben Inc.

Robert E. Krasnosky, senior vice president-marketing, is client contact.

## T. Rowe Price Associates

*100 E. Pratt St., Baltimore, Md. 21202; (301) 547-2213*

| | |
|---|---|
| Total assets managed | $20,200,000,000 |
| Tax-exempt assets managed | $9,951,000,000 |
| 401(k) assets managed | $345,000,000 |
| Real estate assets managed | $174,000,000 |
| Mortgage-backed assets managed | $300,000,000 |
| International assets managed | $2,230,000,000 |
| Tax-exempt clients | 140 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 16 |
| Size of research staff | 34 |

T. Rowe Price Associates Inc. is an equity, fixed-income, balanced, real estate, international and venture capital manager.

Its equity strategies include established and emerging growth stocks, equity income, natural resource and a quantitative indexed approach using normal portfolios. Options are used.

Its active bond strategies maintain a defensive posture emphasizing in-house credit research. Cash management, short-intermediate, intermediate-defensive, total return and high-yield strategies are offered. Passive management is flexible.

Its real estate approach is to invest in income-producing, commercial properties using active portfolio and asset management to achieve stable income and enhance appreciation potential. Separate management and closed-end funds are offered.

The asset mix Jan. 1 was 33% stocks, 34% bonds, 27% cash, 2% equity real estate, 3% mortgage-backed securities and 1% venture capital; there was $174 million in equity real estate, $1.96 billion in foreign stocks, $70 million in foreign bonds, $200 million in foreign cash, $240 million in equity index funds and $1.325 billion in bond index funds.

There are 181 401(k) clients.

Charles H. Salisbury Jr., vice president and director, is client contact.

## PRIMCO Capital Management Inc.

*535 Brown & Williamson Tower, Louisville, Ky. 40202; (502) 589-2011*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed | $2,000,000,000 |
| 401(k) assets managed | $1,900,000,000 |
| Tax-exempt clients | 22 |
| Types of accounts managed | CJ |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

PRIMCO Capital Management Inc. is a GIC manager.

Its fixed-income approach concentrates on sector and issuer analysis allowing for the minimization or elimination of risk charges otherwise

assessed the portfolio with the benefit of maximizing GIC yields in all interest rate environments.

The asset mix Jan. 1 was 100% GICs. There are 20 401(k) clients.

The firm generates 75% to all research internally.

Clients include Burlington Northern, Hughes Aircraft, Occidental Petroleum and Merrill Lynch Pierce Fenner & Smith.

Vernon S. Hodge, principal, is chief investment officer. John J. Monahan, principal, is client contact.

### PRIMECAP Management Co.

*225 S. Lake Ave., Suite 225, Pasadena, Calif. 91101; (818) 304-9222*

| | |
|---|---|
| Total assets managed | $1,841,000,000 |
| Tax-exempt assets managed | $1,703,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

PRIMECAP Management Co. is an equity manager.

Its equity approach uses fundamental analysis with growth stock and sector rotation. It has a value orientation and a focus on long-term capital growth.

The asset mix Jan. 1 was 92% stocks and 8% cash.

It follows 300 stocks closely and 900, generally; 65% of the research is generated internally.

Clients include Rockwell, Eastman Kodak, Bell Atlantic and Ford.

Howard B. Schow, chairman, is chief investment officer. Mitchell J. Milias, president, is client contact.

### The Principal

*711 High, Des Moines, Iowa 50309; (515) 247-5041*

| | |
|---|---|
| Total assets managed | $16,994,000,000 |
| Tax-exempt assets managed | |
| Total | $12,260,000,000 |
| Pooled accounts* | $2,260,000,000 |
| GICs | $3,160,000,000 |
| Annuities | $2,440,000,000 |
| Other | $4,400,000,000 |
| 401(k) and 457 assets managed | $965,000,000 |
| Real estate assets managed | $152,000,000 |
| Tax-exempt clients | 6,128 |
| Types of accounts managed | CGJ |
| No. of portfolio managers | 6 |
| Size of research staff | 23 |

The Principal is an equity, fixed-income, balanced and real estate manager.

Its top-down, value-oriented equity approach is determined by relating current price to estimated future return on net worth.

Its fixed-income approach is fundamental, using both public and private markets and focusing on interest rates, credit risk, maturities and terms.

Its real estate approach emphasizes newly constructed, fully leased buildings of less than $15 million. It focuses on low leverage with national diversification.

The separate accounts asset mix Jan. 1 was 75% stocks, 16% cash, 2% equity real estate, 4% mortgages and 3% private placements.

There are 2,304 401(k) and 457 plan clients.

It follows 500 stocks closely and 3,000, generally; 98% of research is generated internally.

The parent company is Principal Mutual Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $17.89 billion.

Clients include Federal Mogul, Lubrizol and Boehringer-Ingleheim.

Roy Ehrle, executive vice president, is chief investment officer. F. Doug Rasmussen, director-pension investment services, is client contact.

### Professional Asset Management Corp.

*647 Mass, Suite 400, Lawrence, Kan. 66044; (913) 841-0150*

| | |
|---|---|
| Total assets managed | $8,000,000 |
| Tax-exempt assets managed | $6,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

Professional Asset Management Corp. is an equity manager.

Its equity approach market times mutual funds for index, sector or international oriented accounts on a technical trading basis.

As of Jan. 1, all assets were in stocks.

There was $1 million in foreign stocks and $7 million in equity index funds. Options are used.

Jes Santamaria, president, is chief investment officer and client contact.

### Professional Investment Counsel Inc.

*310 N. Mesa No. 200, El Paso, Texas 79901; (915) 532-3987*

| | |
|---|---|
| Total assets managed | $92,000,000 |
| Tax-exempt assets managed | $40,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 38 |
| Types of accounts managed | cCEFG |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Professional Investment Counsel Inc. is an equity, fixed-income and balanced manager.

Its equity approach is quantitative, using market timing and sector rotation, buying growth stocks with a lower than average p/e. Inflation determines money movement and sector/industry allocation.

In its fixed-income approach, inflation mostly determines interest rates.

The asset mix Jan. 1 was 60% stocks, 30% bonds, 10%O?cash.

There are 2 401(k) clients.

Harry J. Stone, president is chief investment officer and client contact.

### Property Capital Associates

*200 Clarendon St., 47th Floor, Boston, Mass. 02116; (617) 536-8600*

| | |
|---|---|
| Total assets managed | $625,000,000 |
| Tax-exempt assets managed | $535,000,000 |
| Real estate assets managed | $535,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |

Property Capital Associates is a real estate manager.

Its real estate approach is investing selectively in major income-producing properties nationwide. It seeks relatively high yields and inflation protection through increases in current returns and long-term capital values.

All assets Jan. 1 were in real estate equity.

Clients include Allied-Signal, Eastman Kodak, Harvard University and Maine State Retirement.

Anthony D. Fox, senior vice president, is chief investment officer. Thomas J. Mizo, vice president, is client contact.

### The Providence Group Investment Advisory Co.

*500 Turks Head Building, Providence, R.I. 02903; (401) 331-6250*

| | |
|---|---|
| Total assets managed | $180,000,000 |
| Tax-exempt assets managed | $54,000,000 |
| Tax-exempt clients | 80 |
| Types of accounts managed | C |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 4 |

The Providence Group Investment Advisory Co. is a balanced manager.

Its equity approach stresses growth stocks of companies that dominate their industry or are gaining market share.

Its fixed-income approach uses interest rate anticipation and sector analysis. Its selects bonds for minimum volatility and risk, while providing a high level of stable income. This approach leads to high-quality short to intermediate bonds.

The asset mix Jan. 1 was 35% stocks, 60% bonds and 5% cash.

Robert F. Hall and Robert E. Washburn, principals, are chief investment officers. Edwin W. Johnson, vice president, is client contact.

### Provident Capital Management

*30 S. 17th St., Suite 1500, Philadelphia, Pa. 19103; (215) 561-6000*

| | |
|---|---|
| Total assets managed | $3,456,000,000 |
| Tax-exempt assets managed | $3,456,000,000 |
| Tax-exempt clients | 500 |
| Types of accounts managed | CEG |
| Minimum separate account | $10,000,000 |


# Columbus Circle Investors Delivers...

## Consistent Investment Results

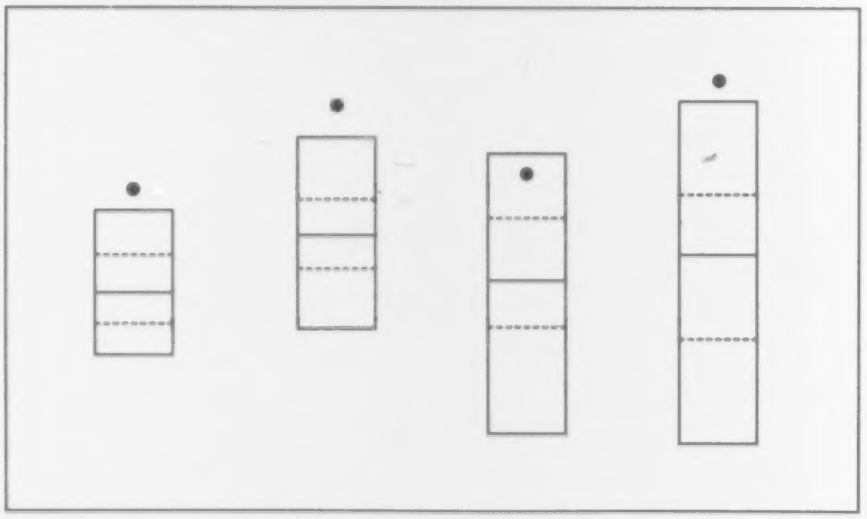
- 9 of 10 Years Outperformed S&P 500
- 4 of Last 5 Years in Top 3 Percent of SEI Equity Fund Universe

## Dedicated Client Service

- Performance to Client Objectives
- Client Satisfaction
- Client Oriented Experience

## Equity Investment Performance

Periods Ending December 31, 1986



| | 10 Years | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| CCI Return (●) | 19.9 | 26.4 | 21.9 | 27.3 |
| SEI Ranking* | 3 | 1 | 7 | 1 |
| S&P 500 | 13.8 | 19.9 | 18.5 | 18.7 |

*Annualized Rates of Return*
**Source: SEI Funds Evaluation*
***Past results do not assure future performance.*

Columbus Circle Investors Inc.

Win Headley
75 Rockefeller Center
27th Floor
New York, NY 10019
(212) 397-8760

Representative Office:
Robert Fehrmann
One Financial Center
440 South LaSalle, Suite 2500
Chicago, IL 60605
(312) 294-5206

No. of portfolio managers ..... 9

Provident Capital Management is an equity, fixed-income, balanced, international and special equity manager.

Its equity approach is team- and value-oriented, uses a bottom-up approach when seeking value.

Its fixed-income approach uses a full range of securities with sector analysis and interest rates driving duration.

The asset mix Jan. 1 was 83% stocks, 7% bonds and 10% cash.

It follows 150 stocks closely and 600, generally; 75% of the research is generated internally.

The parent company is PNC Financial Corp. Total assets under management by the parent, subsidiaries and affiliates is $34 billion.

Clients include Westinghouse, California State Teachers, AT&T and Pennsylvania Public School Employes.

Glenn E. Becker, vice president-director of marketing, is client contact.

### Provident Investment Counsel

*225 S. Lake Ave., Pasadena, Calif. 91101; (818) 449-8500*

| | |
|---|---|
| Total assets managed | $2,059,000,000 |
| Tax-exempt assets managed | $1,979,000,000 |
| International assets managed | $20,000,000 |
| Tax-exempt clients | 231 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 4 |

Provident Investment Counsel is an equity, fixed-income and balanced manager.

Its equity approach combines growth and emerging growth stocks. It systematically and in a disciplined manner buys companies that have superior financial characteristics and are experiencing an accelerating rate of earnings growth.

Its fixed-income approach is based on interest rate trend recognition and confirmation. This begins with analysis of the fundamental factors that affect the future trend in interest rates.

The asset mix Jan. 1 was 75% stocks, 10% bonds and 15% cash.

There was $20 million in foreign stocks. Stock index futures are used.

It follows 150 stocks closely and 60, generally; 30% of the research is generated internally.

Clients include Rochester G&E, Coastal, McGraw Hill and Nebraska.

R. Kommerstad, chairman of the board, is chief investment officer. Jeffrey J. Miller, executive vice president, is client contact.

International advisers: June 29.

### Provident Mutual Life Insurance Co.

*1600 Market St., Philadelphia, Pa. 19101; (215) 636-5000*

| | |
|---|---|
| Total assets managed | $2,500,000,000 |
| Tax-exempt assets managed: | |
| Total | $650,000,000 |
| Pooled accounts | $57,000,000 |
| GICs | $279,000,000 |
| Other | $314,000,000 |
| 401(k) and 457 assets managed | $20,000,000 |
| Tax-exempt clients | 180 |
| Types of accounts managed | CG |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Provident Mutual Life Insurance Co. is an equity, fixed-income and money market manager.

Its equity approach is purchasing stocks with low p/e for the best investment value and return.

Its fixed-income approach is a combination of interest rate anticipation and sector analysis.

The separate accounts asset mix Jan. 1 was 79.5% stocks, 14.0% bonds and 6.5% money market fund.

There are 65 401(k) clients.

The parent company is Provident Mutual Life Insurance Co. Total assets under management by the parent company, subsidiaries and affiliates are $5.25 billion.

Stan Reber is chief investment officer. Edward C. Schweitzer, pension coordinator, is client contact.

### Provident National Assurance Co.

*Fountain Square, Chattanooga, Tenn. 37402; (615) 755-1901*

| | |
|---|---|
| Total assets managed | $3,968,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,949,000,000 |
| Pooled accounts | $76,000,000 |
| GICs | $3,235,000,000 |
| Annuities | $450,000,000 |
| Other | $188,000,000 |
| 401(k) and 457 assets managed | $2,010,000,000 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 2 |
| Size of research staff | 8 |

Provident National Assurance Co. is an equity, fixed-income, GIC and annuities manager.

Its equity approach uses Graham & Dodd and quantitative analyses.

Its fixed-income approach emphasizes sector analysis — industry duration and coupon.

The asset mix Jan. 1 was 69% stocks and 31% cash.

There are 320 401(k) clients.

It follows 70 stocks closely and 100, generally; 25% of the research is generated internally.

The parent company is Provident Life & Accident Insurance Co. Total assets under management by the parent company, subsidiaries and affiliates are $6.665 billion.

Clients include Xerox, Conoco, AT&T and K mart.

Winston W. Walker, executive vice president and chief financial officer, is chief investment officer. Winston C. Profio, vice president-marketing, is client contact.

### Prudential Asset Management Group

*19 Prudential Plaza, Newark, N.J. 07101; (201) 877-8697*

| | |
|---|---|
| Total assets managed | $54,106,000,000 |
| Tax-exempt assets managed: | |
| Total | $54,106,000,000 |
| Pooled accounts | $13,396,000,000 |
| Separate accounts | $10,058,000,000 |
| GICs | $12,368,000,000 |
| Annuities | $8,219,000,000 |
| Other | $10,065,000,000 |
| 401(k) and 457 assets managed | $3,000,000,000 |
| Real estate assets managed | $5,298,000,000 |
| International assets managed | $1,069,000,000 |
| Tax-exempt clients | 591 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 53 |

Prudential Asset Management Group offers equity, fixed-income, balanced, real estate, international and venture capital capabilities through its separately managed units.

The separate accounts asset mix Jan. 1 was 28.1% stocks, 42.9% bonds, 6.5% cash, 21.9% equity real estate and 0.6% mortgages.

The parent company is Prudential Insurance Co. Total assets under management by the parent company, subsidiaries and affiliates are $177.5 billion.

Clients include Union Carbide, IBM, Iowa Public Employees and King Broadcasting.

Garnett L. Keith, vice chairman, Prudential Investment Corp., is chief investment officer. Robert "Buck" Bowen, senior vice president, Prudential Asset Management Co., is client contact.

The Prudential Asset Management Group is composed of these units:

PRIFORM Investment Management manages $2 billion in large-capitalization stocks with good fundamental earnings and selling at attractive relative prices.

MIDCO Investors manages $700 million in portfolios of small to midsize companies with capitalizations between $75 million and $600 million.

Contra-trend Investment Counsel uses a contrarian approach to manage about $500 million.

Matrix Capital Management, using an econometrically driven financial strategy for equity investing, manages more than $500 million.

Eagle Rock Asset Management manages about $900 million in domestic and foreign stock index profiles.

Prudential Fixed Income Advisors manages more than $10 billion in private placements and bond index funds, dedicated and immunized portfolios, laddered maturity and high-yield bond portfolios, and money market funds.

The Pension Asset Management provides asset allocation and discretionary portfolio management for more than $7 billion.

The Prudential Venture Capital Management Co. invests $250 million in direct and partnership venture funding.

PCM International manages about $600 million in global and international stock and bond portfolios.

Mercator Asset Management manages about $300 million using global and international stock strategies.

The Prudential Insurance Co. of America manages more than $30 billion in guaranteed investments.

### Prudential Assurance Co. Ltd. Pension Fund Management

*141 Adelaide St. W., Suite 300, Toronto, Ontario M5H 3L9; (416) 362-4441*

| | |
|---|---|
| Total assets managed | $2,260,000,000 |
| Tax-exempt assets managed: | |
| Total | $900,000,000 |
| For subsidiaries of U.S. I... | $50,000,000 |
| Tax-exempt clients: | |
| Total | 62 |
| U.S. subsidiaries | 6 |
| Types of accounts managed | C |
| Minimum separate account | $3,750,000 |
| No. of portfolio managers | 7 |

Prudential Assurance Co. Ltd. Pension Fund Management is a Canadian equity, fixed-income and balanced manager.

Its equity approach is fundamentalist and active, using sector rotation, market timing and Graham & Dodd principles. The firm concentrates on marketable Canadian stocks and weights industries against index sub-groups. U.S. portfolio construction and activity depends on quantitative analysis.

Its fixed-income approach uses interest rate anticipation. The firm concentrates on high-quality marketable bonds. Portfolios are well-diversified and very actively traded; average term is aggressively managed reflecting business and interest rate expectations.

The asset mix Jan. 1 was 40% Canadian stocks, 40% bonds, 10% cash and 10% U.S. stocks.

The parent company is Prudential Assurance Co. Ltd. of London. Total assets under management by the parent company, subsidiaries and affiliates is $26.25 billion.

R.W. Morrison, senior vice president-investments, is chief investment officer. Ken Kukkonen, manager—pension sales, is client contact.

### Prudential Bache Investment Advisory Service

*1 Seaport Plaza, New York, N.Y. 10292; (212) 214-6478*

| | |
|---|---|
| Total assets managed | $1,300,000,000 |
| Tax-exempt assets managed | $300,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Prudential Bache Investment Advisory Service is a fixed-income manager.

Its fixed-income approach uses market timing and yield curve analysis in its investment strategy, combined with preservation of capital and liquidity.

The asset mix Jan. 1 was 20% bonds, 70% cash and 10% mortgage-backed securities.

Fixed-income futures are used.

The parent company is Prudential Insurance Co. Total assets under management by the parent company, subsidiaries and affiliates are $177.5 billion.

Margaret Kelleher, vice president and manager, is chief investment officer.

### Prudential-Bache Investment Management

*1 Seaport Plaza, New York, N.Y. 10292; (212) 214-4530*

| | |
|---|---|
| Total assets managed | $600,000,000 |
| Tax-exempt assets managed | $400,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 100 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 1 |

Prudential-Bache Investment Management is an equity, fixed-income and balanced manager.

Its equity approach seeks undervalued equities through the application of basic Graham & Dodd-type security analysis. Options are used.

Its fixed-income approach is passive.

The asset mix Jan. 1 was 50% stocks and 50% bonds.

There are two 401(k) clients.

The parent company is Prudential Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $177.5 billion.

Clients include Corpus Christi Relief & Retirement Firemen's Fund and Rider Endowment Fund.

Stuart Shikiar, managing director, is chief investment officer. Jeffrey Laikind, managing director, is client contact.

### PSM Investors Inc.

*121 Judy Farm Road, Carlisle, Mass. 01741; (617) 369-0033*

| | |
|---|---|
| Total assets managed | $205,000,000 |
| Tax-exempt assets managed | $175,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | CJ |
| Minimum separate account | $25,000 |
| No. portfolio managers | 1 |
| Size of research staff | 1 |

PSM Investors Inc. is an equity manager.

Its equity approach using market timing is mutual fund switching, about three to four switches a year, as market conditions warrant.

All assets Jan. 1 were in stocks.

All of the research is generated internally.

Clients include Chem-Met Co., Architectural Resources and Thermal Recovery Systems.

Stan Lipstadt is chief investment officer and client contact.

### Public Storage Inc.

*1015 Grandview Ave., Glendale, Calif. 91201; (818) 244-8080*

| | |
|---|---|
| Total assets managed | $1,984,000,000 |
| Tax-exempt assets managed | $450,000,000 |
| Real estate assets managed | $450,000,000 |
| Tax-exempt clients | 90 |
| Types of accounts managed | CEFJG |

QUEST

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Minimum separate account ..... $15,000,000
No. of portfolio managers ..... 12
Size of research staff ..... 21

Public Storage Inc. is a real estate manager.

Its real estate approach is acquiring commercial and high-grade industrial sites and developing, on an all-cash basis, self-storage facilities and business parks.

All assets Jan. 1 were in equity real estate.

Clients include Ameritech, Eastman Kodak, United Technologies and Connecticut.

Hugh Horne, president-real estate acquisitions, is chief investment officer. Nori Gerardo, senior vice president-institutional realty, is client contact.

## Puget Sound National Bank

*1101 Puget Sound Plaza, P.O. Box 11500, MS 8220, Tacoma, Wash. 98411-5052; (206) 383-2867*

Total assets managed ..... $244,000,000
Tax-exempt assets managed ..... $45,000,000
Tax-exempt clients ..... 113
Types of accounts managed ..... CEFG
Minimum separate account ..... $250,000
No. of portfolio managers ..... 4
Size of research staff ..... 4

Puget Sound National Bank is an equity, fixed-income, balanced and real estate manager.

Its equity approach is top-down. The firm sets an economic outlook with a strategy to overweight, market weight or underweight specific sectors.

Its fixed-income approach is passive. The firm invests in short- to intermediate-term maturities and laddered maturities; proceeds are reinvested at current rates.

Stephen A. Finnigan, vice president, is chief investment officer.

Eric N. Quist and Nancy T. Melton, assistant vice presidents, are client contacts.

## The Putnam Cos.

*1 Post Office Square, Boston, Mass. 02109; (617) 292-1200*

Total assets managed ..... $32,451,000,000
Tax-exempt assets managed ..... $5,296,000,000
401(k) assets managed ..... $150,000,000
Mortgage-backed assets managed ..... $265,000,000
International assets managed ..... $375,000,000
Tax-exempt clients ..... 105
Types of accounts managed ..... CEFJG
Minimum separate account ..... $10,000,000
No. of portfolio managers ..... 38
Size of research staff ..... 37

The Putnam Cos. is an equity, fixed-income, balanced, international, GIC and convertible manager.

Its equity approach uses Graham & Dodd analysis with growth, emerging growth and low p/e stocks. It offers three strategies: quality growth focuses on large-cap stocks with dividend and earning growth superior to future market trends; specialty equity concentrates on medium-cap companies with rapid earnings growth; basic value seeks undervalued companies with earnings and dividend growth rates equal to the market and an above-market yield.

Its fixed-income approach is passive, emphasizing interest rate anticipation and sector analysis. Its disciplines are structured bonds, traditional rate anticipation, high yield and tax exempt.

The asset mix Jan. 1 was 38.6% stocks, 47.8% bonds, 8.6% cash and 5% mortgage-backed securities.

There was $375 million in foreign stocks, $54 million in bond index funds and $2.134 billion in dedicated/immunized bond portfolios.

Options, stock index futures and fixed-income futures are used.

Chief investment officers are Francis H.M. Kelly, equities; Alan J. Bankart, fixed income; and Anthony W. Regan, international. Elliott M. Gartner, senior managing director, is client contact.

**Key to abbreviations**

**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)

# q

## QCI (Qualified Counseling Inc.)

*46 Prince St., Rochester, N.Y. 14607; (716) 461-9130*

Total assets managed ..... $150,000,000
Tax-exempt assets managed ..... $90,000,000
Real estate assets managed ..... $1,000,000
Mortgage-backed assets managed ..... $5,000,000
Tax-exempt clients ..... 125
Types of accounts managed ..... CEFJ
Minimum separate account ..... $300,000
No. of portfolio managers ..... 4

QCI (Qualified Counseling Inc.) is an equity, fixed-income, balanced and cash manager.

Its equity approach uses sector rotation and takes a conservative, top-down approach, selecting undervalued sectors and industries within which specific stocks are chosen.

It uses a top-down approach to develop the interest rate scenario and sector analysis for fixed-income decisions.

The asset mix Jan. 1 was 20% stocks, 70% bonds and 10% cash.

There was $1 million in equity real estate and $5 million in mortgage-backed securities. There was $2 million in dedicated or immunized bond portfolios.

Fred C. Gregory, president, is chief investment officer. Norman C. Hughes, chairman, is client contact.

## Qualivest Capital Management

*P.O. Box 2758, Portland, Ore. 97208; (503) 275-6806*

Total assets managed ..... $1,755,000,000
Tax-exempt assets managed:
Total ..... $620,000,000
Commingled ..... $423,000,000
Separate ..... $197,000,000
401(k) and 457 assets managed ..... $52,000,000
Tax-exempt clients:
Separate ..... 20
Types of accounts managed ..... CEFG
Minimum separate account ..... $2,000,000
No. of portfolio managers ..... 7
Size of research staff ..... 1

Qualivest Capital Management is an equity, balanced and GIC manager.

Its equity approach is emerging growth, low p/e and sector rotation.

Its fixed-income approach uses sector analysis and is actively managed.

The asset mix Jan. 1 was 60% stocks and 40% bonds.

There are 10 401(k) and 457 savings plan clients. It has six commingled funds; the number of clients in these funds was not available.

It follows 100 stocks closely and 90 to 100, generally; all research is generated internally.

The parent company is U.S. Bancorp. The total assets managed by the parent company, subsidiaries and affiliates are $1.755 billion.

Gary K. Sweitzer is chief investment officer. Linda D. Davis, account manager, is client contact.

## Quest Advisory Corp.

*1414 Avenue of the Americas, New York, N.Y. 10019; (212) 486-1445*

Total assets managed ..... $916,000,000
Tax-exempt assets managed ..... $332,000,000
Tax-exempt clients ..... 14
Types of accounts managed ..... CEFG
No. of portfolio managers ..... 2
Size of research staff ..... 2

Quest Advisory Corp. is an equity manager.

Its equity approach seeks small company value. The firm specializes in equities less than $300 million in market capitalization purchased through various value disciplines.

The asset mix Jan. 1 was 75% stocks, 5% bonds and 20% cash.

It follows 100 stocks closely and 500, generally; 75% of research is generated internally.

Clients include Oregon, World Bank, Xerox and Agway.

Charles M. Royce, president, is chief investment officer. Thomas R. Ebright, vice president, is client contact.

The master trust directory will be published Sept. 7.


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## r

### RAC Advisors Inc.

*4000 Town Center, Suite 101, Southfield, Mich. 48075; (313) 358-2282*

| | |
|---|---|
| Total assets managed | $9,000,000 |
| Tax-exempt assets managed | $8,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |

RAC Advisors Inc. is a balanced manager.

Its equity approach uses growth stocks and a low-risk, high potential valuation method with an emphasis on Graham & Dodd.

Its fixed-income approach is passive.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

The parent company is Rodecker & Co. Investment Brokers Inc.

Clients include the Helen DeRoy and Bauervic-Carroll Foundations.

Arthur Rodecker, president, is chief investment officer and client contact.

### Rainier National Bank

*P.O. Box 3966, Seattle, Wash. 98124-3966; (206) 621-4387*

| | |
|---|---|
| Total assets managed | $1,960,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,034,000,000 |
| Commingled | $302,000,000 |
| Separate | $732,000,000 |
| 401(k) and 457 assets managed | $56,000,000 |
| Real estate assets managed | $56,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

Rainier National Bank is an equity, fixed-income, balanced, real estate and cash manager.

Its equity approach focuses on stocks with above-average growth rates at reasonable valuations with emphasis on high quality and earnings momentum.

Its fixed-income approach is driven by interest rate anticipation.

Its real estate approach emphasizes quality properties in strong growth areas and diversification of investments in geographic and occupancy type.

The asset mix Jan. 1 was 65% stocks, 30% bonds, 3% equity real estate and 2% mortgages.

There was $35 million in real estate equity, $21 million in mortgages and $13 million in dedicated/immunized portfolios.

There are 33 401(k)/457 clients.

The parent company is Rainier Bancorp. Total assets managed by the parent company, subsidiaries and affiliates are $1.993 billion.

H. James Darcey, vice president and manager, is chief investment officer. Kerri Halberg, assistant vice president, is client contact.

### RCM Capital Management

*4 Embarcadero Center, Suite 2900, San Francisco, Calif. 94111; (415) 954-5474*

| | |
|---|---|
| Total assets managed | $8,991,000,000 |
| Tax-exempt assets managed | $8,025,000,000 |
| Mortgage-backed assets managed | $730,000,000 |
| Tax-exempt clients | 85 |
| Types of accounts managed | CEFG |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 23 |

RCM Capital Management is an equity, fixed-income, balanced and GIC manager.

Its equity approach emphasizes growth and emerging growth stocks and sector rotation.

Its fixed-income approach uses interest rate anticipation and sector analysis for active duration management.

It manages GICs through its affiliate, Certus Financial Corp.

The asset mix Jan. 1 was 63% stocks, 17% bonds, 11% cash and 9% mortgage-backed securities.

There was $69 million in immunized bond portfolios. Stock index futures and fixed-income futures are used.

Clients include Chevron, Xerox, Southern California Edison and Boeing.

Claude N. Rosenberg Jr. is the chief investment officer and equity client contact. Gary W. Schreyer is fixed-income client contact.

### Reams Asset Management

*227 Washington St., Columbus, Ind. 47201; (812) 372-6606*

| | |
|---|---|
| Total assets managed | $1,102,000,000 |
| Tax-exempt assets managed | $992,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | C |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

Reams Asset Management Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes security selection over market timing. Low p/e stocks are favored. Foreign securities are included in all portfolios.

Its fixed-income approach uses interest rate anticipation, seeking long-term total returns. Foreign securities are in all portfolios.

The asset mix Jan. 1 was 57% stocks, 41% bonds and 2% cash.

Options and fixed-income futures are used.

It follows 150 stocks closely and 50, generally; all research is generated internally.

Cummins Engine is a client.

Fred W. Reams is chief investment officer. L. Paul Berman, senior vice president, is client contact.

### W.H. Reaves & Co. Inc.

*30 Montgomery St., Jersey City, N.J. 07302; (212) 422-1433*

| | |
|---|---|
| Total assets managed | $574,000,000 |
| Tax-exempt assets managed | $574,000,000 |
| Tax-exempt clients | 26 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

W.H. Reaves & Co. Inc., an equity manager, takes a conservative approach, investing only in public utility common stocks. It emphasizes capital preservation and low risk (average beta is 0.75).

The asset mix Jan. 1 was 93% stocks and 7% cash.

It follows 125 stocks closely and 125 generally; all research is generated internally.

Clients include Eli Lilly, National Intergroup, Public Service Electric & Gas and Aerospace.

William Reaves is chief investment officer and client contact.

### J.W. Redmond & Co.

*1750 Pennsylvania Ave. N.W., Washington, D.C. 20006; (202) 393-7900*

| | |
|---|---|
| Total assets managed | $120,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | E |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

J.W. Redmond & Co. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stocks, sector rotation and Graham & Dodd analysis.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

J. Woodward Redmond, president, is chief investment officer.

### Reed Monahan Nicholishen, Investment Counsel Inc.

*20 Victoria St., Suite 705, Toronto, Ontario M5C 2N8; (416) 365-0038*

| | |
|---|---|
| Total assets managed | $371,000,000 |
| Tax-exempt assets managed: | |
| Total | $369,000,000 |
| For subsidiaries of U.S. firms | $137,000,000 |
| Tax-exempt clients: | |
| Total | 25 |
| U.S. subsidiaries | 9 |
| Types of accounts managed | CF |
| Minimum separate account | $7,000,000 |
| No. of portfolio managers | 3 |

Reed Monahan Nicholishen, Investment Counsel Inc., a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach is bottom-up, picking growth and emerging growth stocks while looking for product leadership, strong management, growth and smaller-capitalization orientation.

Its fixed-income approach uses interest rate anticipation and value added.

The asset mix Jan. 1 was 55% Canadian stocks, 30% bonds, 5% cash and 10% U.S. stocks.

It follows 65 stocks closely; 75% of research is generated internally.

Donald R. Reed, president, is chief investment officer and client contact.

### Regan Money Managers

*3500 W. 80th St., Suite 195, Minneapolis, Minn. 55431; (612) 835-1185*

| | |
|---|---|
| Total assets managed | $95,000,000 |
| Tax-exempt assets managed | $44,000,000 |
| International assets managed | $7,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Regan Money Managers is a balanced manager.

Its equity approach uses market timing. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 32% stocks, 47% bonds and 21% cash.

There was $3.4 million in foreign stocks and $3.2 million in foreign bonds.

Options, stock index futures and fixed-income futures are used.

Robert M. Regan is chief investment officer. Carl K. Luxem Jr. is client contact.

### Reich & Tang Inc.

*100 Park Avenue, New York, N.Y. 10017; (212) 370-1110*

| | |
|---|---|
| Total assets managed | $4,626,000,000 |
| Tax-exempt assets managed | $1,176,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CEF |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 5 |

Reich & Tang Inc. is an equity and money market mutual fund manager.

Its equity approach emphasizes growth and low p/e stocks, looking for companies with a discount valuation and above-average prospective growth.

The asset mix Jan. 1 was 84% stocks, 1% bonds and 15% cash.

It follows 75 stocks closely and 150, generally; all research is generated internally.

Clients include RJR Nabisco, General Mills and the Henry J. Kaiser Foundation.

Robert R. Hoerle is chief investment officer.

### Reimer and Koger Associates Inc.

*8500 W. 63rd St., Suite 105, Shawnee Mission, Kan. 66202; (913) 236-6700*

| | |
|---|---|
| Total assets managed | $886,000,000 |
| Tax-exempt assets managed | $764,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |

Reimer and Koger Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stocks, sector rotation and market timing, rotating by themes developed along perceived economic changes.

Issues are selected for purchase and sale by quantitatively screening 100 issues.

Its fixed-income approach uses interest rate anticipation, utilizing a duration-based discipline that seeks higher-than-market returns with market risk or less.

The asset mix Jan. 1 was 36% stocks, 43% bonds and 21% cash.

Options, stock index futures and fixed-income futures are used.

Ronald C. Reimer, managing director, is chief investment officer. Thomas J. Bash, managing director, is client contact.

### Reiser-Builder Inc.

*7 Piedmont Center, Suite 721, Atlanta, Ga. 30305; (404) 876-2840*

| | |
|---|---|
| Total assets managed | $68,000,000 |
| Tax-exempt assets managed | $40,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CEJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Reiser-Builder Inc. is an equity, balanced and options manager.

Its equity approach focuses on companies with a high return on capital and positive earnings momentum. Its fixed-income approach is passive. Options and fixed-income futures are used.

The asset mix Jan. 1 was 55% stocks, 32% bonds and 13% cash.

It follows 225 stocks closely and 400 to 500, generally; all research in generated internally.

Clients include Daniel International, South Carolina Fireman's Association, Equifax and Powell Goldstein.

Robert E. Reiser is chief investment officer. Frank W. Draper is client contact.

### N. Reitenbach & Co. Inc.

*485 Fifth Ave., Suite 1042, New York, N.Y. 10017; (212) 661-2400*

| | |
|---|---|
| Total assets managed | $10,000,000 |
| Total tax-exempt assets | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

N. Reitenbach & Co. Inc. is an international manager.

Its equity approach is to invest in unique and rapidly growing companies in overseas markets. Moderate to low p/e ratios are selected.

Its fixed-income approach utilizes interest rate anticipation and currency trends.

It follows 50 stocks closely and 250, generally; half the research is generated internally.

Nicholas Reitenbach is chief investment officer and client contact.

### Renaissance Investment Management Inc.

*3006 Vernon Place, Cincinnati, Ohio 45219; (513) 281-9800*

| | |
|---|---|
| Total assets managed | $950,000,000 |
| Tax-exempt assets managed | $796,000,000 |
| 401(k) assets managed | $3,000,000 |
| Tax-exempt clients | 123 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 1 |

Renaissance Investment Management Inc. is an equity, fixed-income and balanced manager.

The firm employs a proprietary computer-based asset allocation decision-making model to objectively determine the relative attractiveness of cash equivalents, bonds and equities. Large capitalization, readily marketable securities are stressed.

Its fixed-income approach is disciplined and quantitative, focusing on moving average analysis and spread relationships. Managers adjust portfolio allocation between government bonds and Treasury bills.

The asset mix Jan. 1 was 90% stocks, 7% bonds and 3% cash.

Clients include J.M. Smucker, Kroger and Taft Broadcasting.

Frank W. Terrizzi, managing director, is chief investment officer and client contact.

### Daniel H. Renberg and Associates Inc.

*8383 Wilshire Blvd., Suite 926, Beverly Hills, Calif. 90211; (213) 852-0800*

| | |
|---|---|
| Total assets managed | $158,000,000 |
| Tax-exempt assets managed | $82,000,000 |
| International assets managed | $11,000,000 |
| Tax-exempt clients | 39 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Daniel H. Renberg and Associates Inc. is an equity and balanced manager. The equity approach emphasizes growth, emerging growth and low p/e stocks, and special situations. The firm specializes in relative value equity; the approach is long-term fundamentally oriented. Convertible securities are used.

The asset mix Jan. 1 was 87% stocks, 8% bonds and 5% cash.

There was $11 million in foreign stocks. Options are used.

Daniel H. Renberg, president, is chief investment officer. Clay J. Stratton, vice president, is client contact.

*H. Edward Anderson*

### RepublicBank Dallas

*P.O. Box 241, Dallas, Texas 75221; (214) 922-6506*

| | |
|---|---|
| Total assets managed | $8,554,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,719,000,000 |
| Commingled | $666,000,000 |
| Separate | $5,053,000,000 |
| Real estate assets managed | $41,000,000 |
| International assets managed | $24,000,000 |
| Tax-exempt clients | 2,210 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 5 |

RepublicBank Dallas offers equity, fixed-income, balanced, real estate, international, index, venture capital, energy and aggressive cash management.

Its equity approach seeks inefficiently priced growth-potential stocks by using systematic research identifying companies with low p/e, lower-than-market price-to-book value and higher-than-market current yields.

Its fixed-income approach uses sector analysis and high yield, taking advantage of market inefficiencies and using yield bonds sector selection. It is an active manager, using credit research and swapping to provide incremental return vs. a selected market standard index.

Its real estate approach is active, concentrating on properties with long-term growth and stability to achieve diversification.

The asset mix Jan. 1 was 51% stocks, 47% bonds, 0.9% cash, 0.7% equity real estate and 0.4% international stocks.

There was $41 million in equity real estate, $24 million in foreign stocks, $410 million in equity index funds and $50 million in bond index funds.

Options, stock index futures and fixed-income futures are used.

H. Edward Anderson, senior vice president, is chief investment officer. David J. Pittman, senior vice president and director-trust corporate marketing, is client contact.

### Resource Capital Advisers

*222 E. Mason St., Milwaukee, Wis. 53202; (414) 271-8008*

| | |
|---|---|
| Total assets managed | $260,000,000 |
| Tax-exempt assets managed | $240,000,000 |
| Tax-exempt clients | 60 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,500,000 |
| No. of portfolio managers | 4 |

Resource Capital Advisers Inc. is an equity, fixed-income, and balanced manager.

Its equity approach employs Graham & Dodd analysis, believing stock selection and price sensitivity — low relative p/es — are the principal factors in above-average long-term investment performance. Expertise is in value stock selection through a bottom up approach.

The asset mix Jan. 1 was 90% stocks and 10% cash.

William E. Fritz, president, is chief investment officer. Gary G. Wagner, executive vice president, is client contact.

## Retirement System for Savings Institutions

*41 E. 42nd St., New York, N.Y. 10017; (212) 867-8950*

| | |
|---|---|
| Total assets managed | $555,000,000 |
| Tax-exempt assets managed | $555,000,000 |
| 401(k) assets managed | $6,000,000 |
| Real estate assets managed | $1,000,000 |
| Mortgage-backed assets managed | $50,000,000 |
| International assets managed | $26,000,000 |
| Tax-exempt clients | 102 |
| No. of portfolio managers | 9 |
| Size of research staff | 4 |

Retirement System for Savings Institutions is an equity, fixed-income, balanced and international manager.

Its equity approach uses Graham & Dodd analysis with emerging growth and low p/e stocks, sector rotation and market timing, taking a multifaceted and diversified approach to equities.

Its fixed-income approach concentrates on credit review to anticipate changes in quality rating and diversification. Mortgage-backed securities are used when spreads are attractive.

The asset mix Jan. 1 was 40.9% stocks, 30.1% bonds, 18.2% cash, 0.1% mortgages, 8.9% mortgage-backed securities and 1.8% other assets and liabilities.

James P. Coughlin, senior vice president, is chief investment officer. Diane H. Dudzinski, first vice president, is client contact.

## Rice, Hall, James & Associates

*1200 Third Ave. No. 1600, San Diego, Calif. 92101; (619) 239-9005*

| | |
|---|---|
| Total assets managed | $650,000,000 |
| Tax-exempt assets managed | $490,000,000 |
| Tax-exempt clients | 55 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

Rice, Hall, James & Associates is an equity, fixed-income and balanced manager.

Its equity approach attempts to identify unrecognized values with high-quality earnings and strong balance sheets. It emphasizes long-term fundamental value and good potential for earnings and dividend growth.

Its fixed-income approach is protective and emphasizes the use of short and intermediate Treasuries.

The asset mix Jan. 1 was 75% stocks, 15% bonds and 10% cash.

It follows 100 stocks closely and 200, generally; 25% of research is generated internally.

Louis E. Rice, president, is chief investment officer. Walter H. Beck, senior vice president, is client contact.

## T.W. Richardson & Co.

*100 Pine St., Suite 1275, San Francisco, Calif. 94111; (415) 391-2880*

| | |
|---|---|
| Total assets managed | $5,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |

T.W. Richardson & Co. is a real estate manager.

It does industrial and office land development and building management for its accounts and for controlled partnerships. It also does development consulting for corporate and tax-exempt accounts.

Thomas W. Richardson is chief investment officer and client contact.

## The Riggs National Bank of Washington, D.C.

*808 17th St. N.W., Washington, D.C. 20006; (202) 835-6000*

| | |
|---|---|
| Total assets managed | $2,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $800,000,000 |
| Commingled | $150,000,000 |
| Separate | $650,000,000 |
| 401(k) and 457 assets managed | $6,000,000 |
| Tax-exempt clients: | |
| Commingled | 700 |
| Separate | 3,000 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 18 |
| Size of research staff | 3 |

The Riggs National Bank of Washington, D.C., is an equity, fixed-income and balanced manager.

Its equity approach emphasizes low p/e equities with an above-average dividend yield. Rotation depends upon business cycle; a nearly fully invested position is maintained.

Its fixed-income approach maintains a core position in intermediate bonds, with emphasis on short or long end depending upon expectation for interest rate movement.

The asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

There are 10 401(k) and 457 savings plans clients.

The parent company is Riggs National Corp. Total assets under management by the parent company, subsidiaries and affiliates are $2 billion.

Charles S. Plumb is chief investment officer and client contact.

## Rittenhouse Financial Services Inc.

*225 S. 18th St., Philadelphia, Pa. 19103; (215) 735-1225*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $158,000,000 |
| 401(k) assets managed | $5,000,000 |
| Tax-exempt clients | 72 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 6 |

Rittenhouse Financial Services Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles. The firm tries to find value in high-quality, large-cap stocks. Stocks are held two to five years until an overvaluation occurs.

Its fixed-income approach is passive, using an interest rate hedge. The firm buys maturities out to 10 years only and staggers maturities.

The asset mix Jan. 1 was 70% stocks, 25% bonds and 5% cash.

The parent company is Rittenhouse Financial Services Inc.

James S. Morgan is chief investment officer. Bernard A. Francis is client contact.

## RNC Capital Management

*11601 Wilshire Blvd., 25th Floor, Los Angeles, Calif. 90025; (213) 477-6543*

| | |
|---|---|
| Total assets managed | $1,100,000,000 |
| Tax-exempt assets managed | $770,000,000 |
| 401(k) assets managed | $15,000,000 |
| Tax-exempt clients | 1,050 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 10 |

RNC Capital Management Co. is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks and rotates sectors throughout each economic cycle using only NYSE and AMEX securities.

Its fixed-income approach uses sector analysis. Convertibles are stressed over short-term bonds.

The asset mix Jan. 1 was 65% stocks, 25% convertible bonds and 10% cash.

The parent company is Roley, Nichols Capital Group Inc.

Clients include Best Western Hotels, Little Rock (Ark.) Police & Fire and Santa Catalina Island.

Thomas L. Roley, chairman, is chief investment officer. Robert W. Nichols, president, is client contact.

## Roanoke Asset Management

*10 E. 53rd St., New York, N.Y. 10022; (212) 759-9097*

| | |
|---|---|
| Total assets managed | $610,000,000 |
| Tax-exempt assets managed | $550,000,000 |
| Tax-exempt clients | 37 |
| Types of accounts managed | CEFG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 4 |

Roanoke Asset Management is an equity and balanced manager.

Its equity approach uses opportunistic growth and Graham & Dodd principles. The firm is a bottom-up stock selector focusing on companies and/or industries undergoing a positive fundamental change or improvement.

The asset mix Jan. 1 was 90% stocks and 10% cash.

It follows 45 stocks closely; 65% to 70% of research is generated internally.

Clients include Florida Power & Light, Connecticut, Blue Cross/Blue Shield and Boeing.

Edwin Vroom, president, is chief investment officer. Martin W. Lynn, prin-


# We don't react at the drop of an interest rate.

Successful investing depends a lot more upon how well you react to market changes than upon how quickly.

This is not to say that we don't change as conditions change. We do. We just don't believe that something as important as your retirement fund portfolio should be altered by short term factors.

Our goal is to deliver long term growth through equity investments and prudent portfolio balance through sound fixed-income management. We believe we're uniquely qualified to meet these objectives.

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**David L. Babson & Company, Inc.**

*The person you talk to owns the company.*

cipal/portfolio manager, is client contact.

### Robshaw & Cheskin Associates Inc.

*6245 Sheridan Drive, Suite 218, Amherst, N.Y. 14221; (716) 633-6555*

| | |
|---|---|
| Total assets managed | $74,000,000 |
| Tax-exempt assets managed | $41,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Robshaw & Cheskin Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd principles to screen growth and emerging growth stocks, making a fundamental search for superior long-term appreciation potential among investment alternatives.

Its fixed-income approach is based on analysis of sectors, ratings and maturities, using the yield curve and anticipating shifts in the curve.

The asset mix Jan. 1 was 75% stocks, 15% bonds and 10% cash.

Stephen R. Robshaw and Alan E. Cheskin are chief investment officers. Mr. Cheskin is client contact.

### Edward C. Rorer & Co. Inc.

*2 Mellon Bank Center, Suite 1800, Philadelphia, Pa. 19102; (215) 568-2126*

| | |
|---|---|
| Total assets managed | $35,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 1 |

Edward C. Rorer & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach employs a proprietary computer model to evaluate investment prospects on a relative valuation basis. Relative p/e, relative price/book and relative yield are emphasized.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 82% stocks, 5% bonds and 13% cash.

Edward C. Rorer, chairman, is chief investment officer and client contact.

### Rosenberg Institutional Equity Management

*4 Orinda Way, Suite 200E, Orinda, Calif. 94563; (415) 254-6404*

| | |
|---|---|
| Total assets managed | $1,037,000,000 |
| Tax-exempt assets managed | $1,037,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CFG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Rosenberg Institutional Equity Management is an equity manager.

Its equity approach is quantitative. Managers analyze fundamental data on 3,500 stocks, then identify the moderately undervalued companies in every sector and construct efficient portfolios of such stocks.

All assets Jan. 1 were in stocks.

Clients include Alcoa, GTE, Bell Atlantic and The Rockefeller Foundation.

Barr Rosenberg, managing general partner, is chief investment officer. Marlis S. Fritz, partner and director of marketing, is client contact.

### Ross and Roll Asset Management

*43 Cadwalader Court, Gwynedd, Pa. 19436; (215) 628-8896*

| | |
|---|---|
| Total assets managed | $213,000,000 |
| Tax-exempt assets managed | $213,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CG |
| Minimum separate account | $10,090,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Ross and Roll Asset Management is an equity, fixed-income and international manager.

Its equity approach is quantitative. An arbitrage pricing theory, which is a multifactor risk measurement technique, is applied to portfolio management.

The asset mix Jan. 1 was 99% stocks and 1% cash.

The parent company is Ross and Roll Associates. Assets under management by the parent, subsidiaries and affiliates total $750 million.

Stephen Ross is chief investment officer. Alan Yuhas is client contact.

### The Rothschild Co.

*32 South St., Baltimore, Md. 21202; (301) 539-4660*

| | |
|---|---|
| Total assets managed | $900,000,000 |
| Tax-exempt assets managed | $420,000,000 |
| International assets managed | $50,000,000 |
| Tax-exempt clients | 67 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

The Rothschild Co. is an equity and balanced manager.

Its equity approach is value-oriented with a bias toward growth. Graham & Dodd principles are used.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 40% stocks, 20% cash and 40% convertible securities.

There was $50 million in foreign stocks.

It follows 200 stocks closely and 300, generally; 50% of research is generated internally.

The parent company is United Asset Management. Total assets under management by the parent company, subsidiaries and affiliates are $17.824 billion.

Clients include NADA, Johns Hopkins Applied Physics Lab and Alton Jones Foundation.

Stanford Z. Rothschild Jr., president, is chief investment officer and client contact.

### Rothschild Asset Management Inc.

*1 Rockefeller Plaza, New York, N.Y. 10020; (212) 757-6000*

| | |
|---|---|
| Total assets managed | $661,000,000 |
| Tax-exempt assets managed | $452,000,000 |
| Tax-exempt clients | 35 |
| Types of accounts managed | CFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |

Rothschild Asset Management Inc. is an equity and balanced manager.

Its equity approach is "growth at the right price." Its objective is building portfolios of stocks with earnings per share that will grow faster than the market, yet can be purchased at reasonable valuations.

Its fixed-income approach is to vary maturities as a function of interest rate anticipation.

The asset mix Jan. 1 was 85% stocks, 5% bonds and 10% cash.

It follows 200 stocks closely.

The parent company is Rothschild Inc. Total assets under management by the parent company, subsidiaries and affiliates are $900 million.

Clients include Liberty All Star Fund, Continental Telecom, state of Illinois and Grand Union.

Robert H. Buckles, president, is chief investment officer. Lewis W. Parker, senior vice president, is client contact.

### N.M. Rothschild International Asset Management Ltd.

*New Court, St. Swithins Lane, London EC4P 4DU England; (212) 757-6000*

| | |
|---|---|
| Total assets managed | $2,300,000,000 |
| Tax-exempt assets managed | $1,020,000,000 |
| International assets managed | $1,020,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 15 |

N.M. Rothschild International Asset Management Ltd. is an international manager.

Its equity approach aims at added value in market, stock and currency selection. Through a process of fundamental economic analysis they are a concentrated and active asset allocator and market selector.

Its fixed-income approach uses interest rate anticipation, aiming at added value through maturity, currency and instrument management as well as through the identifications of market anomalies.

The asset mix Jan. 1 was 57% stocks and 43% bonds.

There was $435 million in foreign stocks and $585 million in foreign bonds.

The parent company is N.M. Rothschild Asset Management (Holdings) Ltd. Total assets under management by the parent company, subsidiaries and affiliates are $15.45 billion.

Clients include Pacific Telesis, American Airlines, GM and Delaware.

James Heyworth-Dunne is chief investment officer. Christopher Wyke is client contact.

### Rothschild Securities Corp.

*33 W. Monroe St., Chicago, Ill. 60603; (312) 781-8900*

| | |
|---|---|
| Total assets managed | $142,000,000 |
| Tax-exempt assets managed | $70,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 82 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 5 |

Rothschild Securities Corp. is an equity, fixed-income and balanced manager.

Its equity approach identifies growth companies with special attributes not fully valued in the marketplace.

Its fixed-income approach structures short- to intermediate-term laddered-maturity portfolios composed of investment-grade companies. It diversifies by industry, company, sector and special features.

The asset mix Jan. 1 was 40% stocks, 52% bonds and 8% cash.

Richard F. Karger, president, is chief investment officer. Edward J. Malysiak Jr., vice president, is client contact.

### Roulston & Co. Inc.

*4000 Chester Ave., Cleveland, Ohio 44103; (216) 431-3000*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $200,000,000 |
| 401(k) assets managed | $20,000,000 |
| Tax-exempt clients | 260 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 7 |

Roulston & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses fundamental research to purchase growth, emerging growth and low p/e stocks.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

Clients include Centerior Energy, Ohio Edison and Sunar Hauserman.

Jerry Dombcik is chief investment officer. Thomas H. Roulston is client contact.

### Round Hill Asset Management Inc.

*477 Madison Ave., 24th Floor, New York, N.Y. 10022; (212) 421-3143*

| | |
|---|---|
| Total assets managed | $5,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Round Hill Asset Management Inc. is an equity manager.

Its equity approach uses Graham & Dodd principles. Research focuses on determining the intrinsic value of a company; investment opportunities are sought where a security can be purchased at a large discount from its intrinsic value.

All assets Jan. 1 were in stocks.

Channing T. Lushbough, president, is chief investment officer and client contact.

### Rowe Price-Fleming International Inc.

*100 E. Pratt St., Baltimore, Md. 21202; (301) 547-2141*

| | |
|---|---|
| Total assets managed | $2,220,000,000 |
| Tax-exempt assets managed | $1,790,000,000 |
| International assets managed | $1,790,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 71 |

Rowe Price-Fleming International Inc. is an international manager.

Its equity approach uses top-down/bottom-up methods and country selection as key components of its overall investment strategy.

Its fixed-income approach applies an analysis of interest and exchange rate movements over a short and intermediate range to obtain a balance between income and capital appreciation.

The asset mix Jan. 1 was 94% stocks, 2.5% bonds and 3.5% cash.

There was $1,684 million in foreign stocks, $44 million in foreign bonds and $62 million in foreign cash.

The firm follows 1,500 stocks closely and 2,500, generally; 95% of research is generated internally.

Parent companies are T. Rowe Price Associates and the Fleming Group. Total assets under management by the parents, subsidiaries and affiliates are $50 billion.

Clients include General Motors, GTE, The Common Fund and Oregon.

Martin G. Wade, president, is chief investment officer. George A. Murnaghan, vice president, is client contact.

### The RREEF Funds

*650 California St., Suite 1800, San Francisco, Calif. 94108; (415) 781-3300*

| | |
|---|---|
| Total assets managed | $3,017,000,000 |
| Tax-exempt assets managed | $3,017,000,000 |
| Real estate assets managed | $3,017,000,000 |
| Tax-exempt clients | 83 |
| Types of accounts managed | CG |
| Minimum separate account | $100,000,000 |

The RREEF Funds is a real estate manager.

Its real estate approach involves purchasing office, retail and industrial properties nationwide through its three series of non-competing closed-end funds. All investment decisions are made by RREEF's principals.

All assets Jan. 1 were in equity real estate.

Clients include IBM, AT&T, Connecticut and New York State Common Retirement System.

Paul Sack and Stanislaw Maliszewski, principals, are client contacts.

### Ruane, Cunniff & Co. Inc.

*1370 Avenue of the Americas, New York, N.Y. 10019; (212) 245-4500*

| | |
|---|---|
| Total assets managed | $1,433,000,000 |
| Tax-exempt assets managed | $867,000,000 |
| Tax-exempt clients | 70 |
| Types of accounts managed | CEF |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Ruane, Cunniff & Co. Inc. is an equity manager.

Its equity approach emphasizes Graham & Dodd analysis. Its fixed-income approach is passive.

The asset mix Jan. 1 was 45% stocks and 55% cash.

It follows 100 stocks closely and 300, generally; all research is generated internally.

William J. Ruane is chief investment officer.

### Frank Russell Trust Co.

*1201 Pacific Ave., 19th Floor, Tacoma, Wash. 98402; (206) 572-2282*

| | |
|---|---|
| Total assets managed | $4,484,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,484,000,000 |
| Commingled | $2,644,000,000 |
| Separate | $1,840,000,000 |
| Real estate assets managed | $267,000,000 |
| International assets managed | $291,000,000 |
| Tax-exempt clients: | |
| Commingled | 149 |
| Separate | 2 |
| Types of accounts managed | CGJ |
| Minimum separate account | $5,000,000 |

Frank Russell Trust Co. is an equity, fixed-income, balanced, real estate, and international manager.

Its equity approach employs multimanager/multistyle diversification, embracing growth, broadly diversified, defensive yield and sector rotation. It also has similarly designed funds that concentrate on emerging growth/small capitalization issues.

Its fixed-income approach's multimanager/multistyle components are long and short anchors with a core managed in a discretionary mode.

Its real estate approach invests in six pooled real estate vehicles, diversified by property, value range, geography, investment structuring, lease maturities and manager style.

Its asset mix Jan. 1 was 55% stocks, 23% bonds, 5% cash, 7% equity real estate, 2% mortgages and 8% international equity.

The parent company is Frank Russell Co. The total assets under management by the parent company, subsidiaries and affiliates are $6.389 billion.

Paul R. Kaltinick, president, is client contact.

## S

### Sabl Associates

*2444 Wilshire Blvd., Suite 500, Santa Monica, Calif. 90403; (213) 828-4240*

| | |
|---|---|
| Total assets managed | $44,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

SABL Associates is an equity manager.

In equities, it uses Graham & Dodd analysis with a growth stock approach to balance for long-term performance.

The fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 90% stocks, 3% bonds and 7% cash.

It follows 75 stocks closely and 175, generally; 20% of the research is generated internally.

Frederick M. Sabl, president, is chief investment officer. Ralph E. Weil, vice president, is client contact.

### Ronald Sadoff's Major Trends

*250 W. Coventry Court, Milwaukee, Wis. 53217; (414) 352-8460*

| | |
|---|---|
| Total assets managed | $65,000,000 |
| Tax-exempt assets managed | $52,000,000 |
| Types of accounts managed | CF |
| Minimum separate account | $200,000 |
| Size of research staff | 2 |

Ronald Sadoff's Major Trends is an equity and balanced manager.

Its equity approach combines Graham & Dodd analysis with growth, emerging growth and low p/e stocks. It uses a low-risk/high-potential top-down approach, focusing on leading industries and companies emerging from long-term downtrends that possess

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value and growth potential.

Its fixed-income approach is top-down plus interest rate anticipation and credit analysis.

Ronald Sadoff is chief investment officer and client contact.

### SAFECO Asset Management

*SAFECO Plaza, T-14, Seattle, Wash. 98185; (206) 545-5727*

| | |
|---|---|
| Total assets managed | $521,000,000 |
| Tax-exempt assets managed | $508,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CFJ |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 7 |

SAFECO Asset Management Co. is an equity, fixed-income and balanced manager.

Its equity approach employs low p/e stocks, sector rotation and Graham & Dodd analysis.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 56% stocks, 30% bonds and 14% cash.

It follows 200 stocks closely and 300, generally; 75% of the research is generated internally.

The parent company is SAFECO Corp. Total assets under management by the parent company, subsidiaries and affiliates are $5.512 billion.

Richard W. Hubbard and Eugene D. Holen are chief investment officers. Mr. Holen, vice president, is client contact.

### Safian Investment Research

*545 Fifth Ave., New York, N.Y. 10017; (212) 867-0100*

| | |
|---|---|
| Total assets managed | $30,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 6 |

Safian Investment Research Inc. is an equity and balanced manager.

Its equity approach emphasizes sector analysis of the economy and seeks confirming signals from industry and stock market groups. Original economic and stock market series are maintained.

To preserve capital, equity exposure is reduced at the early signs of deterioration in either the majority of industry groups or the economy.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 10% bonds and 20% cash.

Kenneth Safian, president, is chief investment officer. John E. Schmidt, vice president, is client contact.

### D.J. St. Germain Co. Inc.

*1500 Main St., Springfield, Mass. 01115; (413) 733-5111*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed | $21,000,000 |
| 401(k) assets managed | $12,000,000 |
| Tax-exempt clients | 92 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $25,000 |
| No. of portfolio managers | 4 |

D.J. St. Germain Co. Inc. is an equity, fixed-income and balanced manager.

Its active equity approach comprises passive strategies as well as growth and low p/e stocks and market timing.

Its fixed-income approach is passive.

The asset mix Jan. 1 was 63% stocks, 7% bonds and 30% cash.

There are thirty-five 401(k) clients.

It follows 60 stocks closely and 150, generally.

Paul H. Gale is chief investment officer. Christopher R. Blais is client contact.

### Sanwa Bank California

*612 S. Flower St., Los Angeles, Calif. 90017; (213) 613-3949*

| | |
|---|---|
| Total assets managed | $915,000,000 |
| Tax-exempt assets managed | |
| Total | $355,000,000 |
| Commingled | $51,000,000 |
| Separate | $304,000,000 |
| Real estate assets managed | $5,000,000 |
| Tax-exempt clients | |
| Separate | 88 |
| Types of accounts managed | CF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 5 |

Sanwa Bank California is an equity, fixed-income and balanced manager.

Its equity approach emphasizes companies with the most rapid and consistent earnings and dividend growth.

Its active fixed-income approach incorporates change in weighted average maturity, interest rate anticipation and sector shift.

In real estate, it looks for high-equity, low-leverage, long-term positions with a focus on commercial and industrial holdings.

The asset mix Jan. 1 was 59% stock, 25% bonds, 15% cash and 1% equity real estate.

Sanwa Bank Ltd. is the parent company.

John R. Thompson, vice president and senior trust investment officer, is chief investment officer. Cynthia S. Ellner, vice president and senior trust officer, is client contact.

### Fayez Sarofim & Co.

*2 Houston Center, Suite 2907, Houston, Texas 77010; (713) 654-4484*

| | |
|---|---|
| Total assets managed | $10,688,000,000 |
| Tax-exempt assets managed | $9,222,000,000 |
| 401(k) assets managed | $1,000,000 |
| Real estate assets managed | $40,000,000 |
| Tax-exempt clients | 213 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 11 |

Fayez Sarofim & Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach focuses on both value and growth. Fundamental economic and company analysis are the foundation of a top-down, flexible process. Current emphasis is on larger-cap companies with highly predictable earnings growth and market multiple.

Its fixed-income approach is keyed to timely shifts in maturity as dictated by interest rate outlook and subject to specified minimum return objectives.

Its real estate approach focuses on quality real estate using a participating mortgage structure.

The asset mix Jan. 1 was 78.8% stocks, 17.5% bonds, 0.4% real estate equity and 3.3% cash and other investments.

Between 60 and 70 stocks are followed closely and 300, generally; 80% of research is generated internally.

Clients include Amoco, Ford, William Marsh Rice University Endowment and Rockwell.

Fayez Sarofim, chairman, is chief investment officer. William K. McGee Jr. is client contact.

### Sasco Capital Inc.

*10 Sasco Hill Road, Fairfield, Conn. 06430; (203) 254-6800*

| | |
|---|---|
| Total assets managed | $550,000,000 |
| Tax-exempt assets managed | $550,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Sasco Capital Inc. is an equity manager.

Managers seek financial underachievers where they anticipate significant corporate decisions that will enhance shareholder values. Options are used.

All tax-exempt assets Jan. 1 were in stocks.

The firm follows 30 stocks closely and 400, generally; all research is generated internally.

IBM and General Dynamics are clients.

Lee C. Garcia, managing director, is chief investment officer. Daniel Sullivan, managing director, is client contact.


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## M.D. Sass Investors Services Inc.

*1133 Avenue of the Americas, New York, N.Y. 10036; (212) 730-2000*

| | |
|---|---|
| Total assets managed | $2,756,000,000 |
| Tax-exempt assets managed | $2,304,000,000 |
| International assets managed | $15,000,000 |
| Tax-exempt clients | 113 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 13 |

M.D. Sass Investors Services Inc. is an equity, fixed-income, balanced and arbitrage manager.

Its equity approach combines Graham & Dodd analysis with low p/e stocks and sector rotation.

Its fixed-income approach emphasizes inefficiently priced sectors, quality (credit) levels and specific securities. The firm adds value by using forward commitments, futures and options.

The asset mix Jan. 1 was 37% stocks, 53% bonds and 10% cash.

There was $14.8 million in foreign stocks and $150 million in dedicated/immunized portfolios.

It follows 120 stocks closely and 800, generally; 75% of research is internally generated.

Clients include Uniformed Firefighters Association, Kansas City Firefighters, Mennen and Del Webb Foundation.

Martin D. Sass, president, is chief investment officer. Thomas J. Mackell Jr., senior vice president, is client contact.

## Saybrook Capital

*610 Fifth Ave., New York, N.Y. 10020; (212) 307-5503*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | 100,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CEF |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 2 |

Saybrook Capital is an equity and balanced manager.

Its equity approach seeks superior long-term performance by emphasizing undervalued growth stocks, strict valuation disciplines and research.

Its fixed-income approach uses interest rate anticipation.

Half the research is generated internally.

Clients include Wake Forest University, Mary Duke Biddle Foundation, University of South Carolina and Mary Reynolds Babcock Foundation.

Bruce M. Babcock and Ravenel B. Curry III, partners, are chief investment officers. Mr. Curry is client contact.

## SBC Portfolio Management International Inc.

*1 World Trade Center, Suite 9051, New York, N.Y. 10048; (212) 938-7465*

| | |
|---|---|
| Total assets managed | $496,000,000 |
| Tax-exempt assets managed | $135,000,000 |
| International assets managed | $120,000,000 |
| Tax-exempt clients | 9 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

SBC Portfolio Management International Inc. is an international manager.

Its global top-down equity approach emphasizes aggressive country allocations. It uses daily currency risk management and favors low p/e and value when market liquidity permits.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 89% stocks and 11% cash.

The parent company is Swiss Bank Corp. International Securities Inc.

Peter J. Morant is chief investment officer. John W. Conlin and Rita J. Kleinman are client contacts.

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Milwaukee, WI 53211
(414) 332-7770

## Sceptre Investment Counsel

*40 University Ave., Suite 802, Toronto, Ontario M5J 2G1; (416) 977-6111*

| | |
|---|---|
| Total assets managed | $2,237,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,073,000,000 |
| For subsidiaries of U.S. firms | $813,000,000 |
| Real estate assets managed | $40,000,000 |
| Tax-exempt clients: | |
| Total | 60 |
| U.S. subsidiaries | 23 |
| Types of accounts managed | CEFPU |
| Minimum separate account | $18,000,000 |
| No. of portfolio managers | 10 |

Sceptre Investment Counsel Ltd., a Canadian firm, is an equity, fixed-income, balanced and individual retirement accounts manager.

Its equity approach uses Graham & Dodd analysis to identify growth, emerging growth and low p/e stocks. Sector analysis is used.

The asset mix Jan. 1 was 34% Canadian stocks, 42% bonds, 2% mortgages, 10% cash and 12% U.S. stocks.

There was $40 million in mortgages.

It follows 350 stocks closely and 450, generally; half the research is generated internally.

J. Douglas Grant, chairman, is chief investment officer. George B. Turnbull, vice president, is client contact.

## Schaenen Wood & Associates Inc.

*654 Madison Ave., New York, N.Y. 10021; (212) 319-3666*

| | |
|---|---|
| Total assets managed | $190,000,000 |
| Tax-exempt assets managed | $120,000,000 |
| Tax-exempt clients | 34 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Schaenen Wood & Associates Inc. is an equity, fixed-income, balanced and convertible securities manager.

Its equity approach is capital preservation, stressing value and sell disciplines.

Selection is by proprietary computer screening techniques. Convertible bonds are used extensively.

Its fixed-income approach uses interest rate anticipation and sector analysis. Where appropriate, some convertible securities are used.

The asset mix Jan. 1 was 62% stocks, 30% bonds and 8% cash.

Options are used.

Gary W. Wood, president, is chief investment officer and client contact.

## Scheetz, Smith & Co.

*500 Grant St., Suite 2734, Pittsburgh, Pa. 15219; (412) 765-3361*

| | |
|---|---|
| Total assets managed | $162,000,000 |
| Tax-exempt assets managed | $130,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| Size of research staff | 2 |

Scheetz, Smith & Co., a convertible security manager, uses the securities to participate in rising markets and provide downside protection in weak markets.

All assets were in convertibles Jan. 1.

It follows 50 stocks closely and 150 to 1,500, generally; 50% of research is generated internally.

Clients include Baptist Foreign Mission Board, Cincinnati Gas & Electric, National Intergroup (Weirton) and Alcoa Foundation.

Neil Y. Van Horn is chief investment officer. Donald D. Wolff Jr. is client contact.

## Schield Management Co. Timing Service

*390 Union Blvd., Suite 410, Denver, Colo. 80228; (303) 985-9999*

| | |
|---|---|
| Total assets managed | $56,000,000 |
| Tax-exempt assets managed | $20,000,000 |
| 401(k) assets managed | $15,000,000 |
| Tax-exempt clients | 50 |
| Types of accounts managed | CEJ |
| Minimum separate account | $10,000 |
| No. of portfolio managers | 1 |

Schield Management Co. Timing Service is an equity and balanced manager.

Its equity approach is a timing service designed to reduce the risk of owning a mutual fund by preserving gains that may deteriorate in a declining market. It provides the strategy and implements the move from equity positions to cash equivalents as needed.

The asset mix Jan. 1 was 100% stocks.

There are 12 401(k) clients.

It follows 4,000 stocks generally; all research is generated internally.

The parent company is Schield Management Co. Assets under management by the parent, subsidiaries and affiliates total $85 million.

Clients include Midwest City Memorial Hospital, Rocky Mountain Association, South Community Hospital and Community Health Centers.

Marshall L. Schield, president, is chief investment officer.

## Schield Portfolios Series

*390 Union Blvd., Suite 410, Denver, Colo. 80228; (303) 985-9999*

| | |
|---|---|
| Total assets managed | $9,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| 401(k) assets managed | $114,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CE |
| No. of portfolio managers | 4 |

Schield Portfolios Series is an equity, fixed-income, balanced and systematic risk manager.

Its equity approach uses market timing based on an ongoing analysis of stock market trends so portfolios can be fully or partially invested in or divested of equities and, for hedging purposes, may purchase options and engage in futures transactions relating to stock indices and purchase call options and purchase put options.

Its fixed-income approach uses interest rate timing strategies and may hedge investments through the use of interest rate futures and options on interest rate futures.

The asset mix Jan. 1 was 91% stocks and 9% cash.

There are 20 401(k) clients.

The parent company is Schield Management Co. Total assets under management by the parent company, subsidiaries and affiliates are $85 million.

Marshall L. Schield, president, is chief investment officer. NIF Management Cos., Denver, are client contacts.

## A.R. Schmeidler & Co. Inc.

*555 Fifth Ave., New York, N.Y. 10017; (212) 687-9800*

| | |
|---|---|
| Total assets managed | $240,000,000 |
| Tax-exempt assets managed | $61,000,000 |
| Tax-exempt clients | 71 |
| Types of accounts managed | CFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 2 |

A.R. Schmeidler & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach combines Graham & Dodd analysis, growth, emerging growth and low p/e stock and sector rotation. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 65% stocks, 15% bonds and 20% cash.

It follows 125 stocks closely and 250, generally; 90% of research is generated internally.

Arnold R. Schmeidler, president, is chief investment officer. Mr. Schmeidler and Howard R. Cuozzi, executive vice president, are client contacts.

## Schroder Capital Management International

*1 State St., New York, N.Y. 10004; (212) 269-6500*

| | |
|---|---|
| Total assets managed | $1,891,000,000 |
| Tax-exempt assets managed | $1,392,000,000 |
| International assets managed | $1,364,000,000 |
| Tax-exempt clients | 23 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 50 |

Schroder Capital Management International Inc., an international manager, has an equity bias. Its approach begins with country allocation based on two-year economic projections. Within each country, the focus then is on emerging growth stocks. Fixed-income is used as a limited tactical alternative.

The asset mix Jan. 1 was 98% stocks and 2% cash.

The firm follows 250 stocks closely and 800, generally; 80% of research is generated internally.

The parent company is Schroders PLC. Assets under management by the parent, subsidiaries and affiliates total $22 billion.

Clients include GM, 3M, United Technologies and Cornell University.

Peter Sedgwick, chief executive, is chief investment officer. Sharon L. Haugh, first vice president-director of international marketing, is client contact.

## Schroder Real Estate Associates

*437 Madison Ave., New York, N.Y. 10022; (212) 486-9800*

| | |
|---|---|
| Total assets managed | $1,014,000,000 |
| Tax-exempt assets managed | $50,000,000 |
| Real estate assets managed | $50,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CJG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 3 |

Schroder Real Estate Associates is a real estate manager.

It acquires underperforming or underused properties that will respond to its direct, intense property and construction management. Properties are sold upon the creation of their optimum incremental value.

All tax-exempt assets Jan. 1 were in equity real estate.

Ohio Police & Fireman's fund is a client.

Norman L. Peck, managing partner, is chief investment officer. John E. Emmanuel, senior vice president, is client contact.

## Schupf, Woltman & Co. Inc.

*P.O. Box 179, Hamilton, N.Y. 13346; (315) 824-1333*

| | |
|---|---|
| Total assets managed | $190,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | CJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

Schupf, Woltman & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stocks, emphasizing disciplined research and fundamental analysis. Its fixed-income approach is passive.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

It follows 300 stocks closely and 1,000, generally; half of the research is generated internally.

Clients include Agway, Warnaco, Upstate New York Teamsters and Brentwood Associates.

Paul J. Schupf, president, is chief investment officer. Lee Woltman, vice president, is client contact.

## SCNC Advisory Corp.

*101 Greystone Blvd., Columbia, S.C. 29226; (803) 765-3727*

| | |
|---|---|
| Total assets managed | $1,609,000,000 |
| Tax-exempt assets managed: | |
| Total | $428,000,000 |
| Commingled | $106,000,000 |
| Separate | $322,000,000 |
| Real estate assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 680 |
| Separate | 530 |
| Types of accounts managed | CEFG |
| No. of portfolio managers | 4 |

SCNC Advisory Corp. is an equity, fixed-income and balanced manager.

Its equity approach uses computer screening to determine which stocks offer the greatest growth potential at the most reasonable earnings multiples. Portfolios are highly diversified with market characteristics.

Its fixed-income portfolios have well-laddered maturities centering around the point of the yield curve that provides the greatest return relative to risk.

The asset mix Jan. 1 was 63% stocks, 31% bonds and 6% cash; less than $1 million was in mortgages.

SCNC follows 150 stocks closely and 2,200, generally. All research is generated internally.

The parent company is South Carolina National Corp. Assets under management by the parent, subsidiaries and affiliates total $1.61 billion.

Clients include SCANA, Southeastern Freight Lines, Baltimore Gas and Electric and Duke Power.

Robert R. Beaudette, president of SCNC, is chief investment officer. Lynn M. Gantt, senior vice president at South Carolina National Bank, is client contact.

## Scudder Realty Advisors

*333 S. Hope St., 37th Floor, Los Angeles, Calif. 90071; (213) 628-1144*

| | |
|---|---|
| Total assets managed | $380,000,000 |
| Tax-exempt assets managed | $380,000,000 |
| Real estate assets managed | $380,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CJG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 5 |

Scudder Realty Advisors Inc. is a real estate manager whose investments range from mortgages to equities.

The asset mix Jan. 1 was 10% equity real estate and 90% mortgages.

The parent company is Scudder, Stevens & Clark Ltd. Total assets managed by the parent company are $36 billion.

Clients include Sacramento County Employees, Ventura County Employees and Carpenters Pension Trust for Southern California.

Christopher B. Davis, senior vice president, is chief investment officer and client contact.

## Scudder, Stevens & Clark

*345 Park Ave., New York, N.Y. 10154; (212) 350-8200*

| | |
|---|---|
| Total assets managed | $36,079,000,000 |
| Tax-exempt assets managed | $11,300,000,000 |
| 401(k) assets managed | $170,000,000 |
| Real estate assets managed | $177,000,000 |
| Mortgage-backed assets managed | $1,776,000,000 |
| International assets managed | $532,000,000 |
| Tax-exempt clients | 650 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 98 |
| Size of research staff | 49 |

Scudder, Stevens & Clark is an equity, fixed-income, balanced, real estate, international, options and mutual funds manager.

Its equity approach emphasizes growth, emerging growth, value and yield, using independent research to identify stocks.

Its fixed-income approach emphasizes interest rate projections and sector analysis. Opportunity/risk profiles are critical.

Options, stock index futures and fixed-income futures are used.

In its real estate approach, direct equity commitments are arranged for clients, both individually and in partnerships.

The asset mix Jan. 1 was 22.9% stocks, 48.5% bonds, 11.3% cash, 0.4% real estate, 1.2% mortgages and 15.7% mortgage-backed securities; there was $216 million in foreign stocks, $307 million in foreign bonds, $9 million in foreign cash and $392 million in dedicated or immunized bond portfolios.

There are 140 401(k) clients.

Scudder follows 500 stocks closely and 1,000, generally; 98% of the research is generated internally.

George S. Johnston, managing director and president, is chief investment officer. Victoria J. Herget, principal, is client contact.

## Seaboard Investment Advisers Inc.

*100 Seaboard Center, 235 Plume St., Norfolk, Va. 23510; (804) 622-0121*

| | |
|---|---|
| Total assets managed | $120,000,000 |
| Tax-exempt assets managed | $65,000,000 |
| Tax-exempt clients | 29 |
| Types of accounts managed | CFJ |
| Minimum separate account | $400,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Seaboard Investment Advisers Inc. is an equity, fixed-income balanced and international manager.

Its equity approach uses Graham & Dodd and some quantitative (MPT) analysis, growth stock and market timing. There is fair reliance upon options strategies at times.

Its fixed-income approach blends debt and debt equivalents (utility shares) in analyzing interest rate spreads and in timing sector switches.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash.

Eugene W. Hansen, president, is chief investment officer. Bower R. Patrick III, senior portfolio manager, is client contact.

### Seattle Trust

*1000 Second Ave., 11th Floor, Seattle, Wash. 98104; (206) 684-6139*

| | |
|---|---|
| Total assets managed | $225,000,000 |
| Tax-exempt assets managed: | |
| Total | $87,000,000 |
| Commingled | $32,000,000 |
| Separate | $55,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Tax-exempt clients: | |
| Commingled | 130 |
| Separate | 30 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Seattle Trust is an equity, fixed-income and balanced manager.

Its equity approach offers lower than stock market risk, emphasizing common stocks and money market instruments. Selection is based on historical p/e multiples and earnings outlook. Graham & Dodd analysis is used.

Its fixed-income approach uses laddered maturities using interest rate forecasting to lengthen or shorten average portfolio maturity. Maximum average maturity is 10 years.

The asset mix Jan. 1 was 47% stocks, 31% bonds and 22% cash.

There were 15 401(k) and 457 plan clients.

Richard A. Klauber, vice president, is chief investment officer. Steve Smith, assistant vice president and business development officer, is client contact.

### Second National Bank of Richmond

*P.O. Box 818, Richmond, Ind. 47375; (317) 983-2395*

| | |
|---|---|
| Total assets managed | $200,000,000 |
| Tax-exempt assets managed: | |
| Total | $35,000,000 |
| Separate | $35,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Tax-exempt clients | 140 |
| Types of accounts managed | CEF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Second National Bank of Richmond is an equity, fixed-income and balanced manager.

Its value-oriented, Graham & Dodd equity approach concentrates on historic ranges for stock prices based upon sales and cash-flow ratios.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 45% stocks, 50% bonds and 5% cash.

There are five 401(k) and 457 plan clients.

The parent company is First National Cincinnati Corp. Total assets under management by the parent company, subsidiaries and affiliates is $6.1 billion.

Eric D. Martz, assistant vice president and trust investment officer, is chief investment officer. Carroll D. Lawson, employee benefits officer, is the client contact.

### Securities Counsel Inc.

*5052 Sprinkle Road, Kalamazoo, Mich. 49003; (616) 383-9200*

| | |
|---|---|
| Total assets managed | $1,468,000,000 |
| Tax-exempt assets managed | $687,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| Tax-exempt clients | 77 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 9 |

Securities Counsel Inc. is an equity, fixed-income and balanced manager.

It takes an unemotional, value-oriented, disciplined approach to equities. Using a proprietary model, companies are screened, ranked and selected based on value, historic growth and future earnings expectations.

Its fixed-income approach emphasizes duration management.

The asset mix Jan. 1 was 60% stocks and 40% bonds; $10 million in mortgage-backed securities is included in the bond allocation.

The parent company is First of America Bank Corp. Assets under management by the parent, subsidiaries and affiliates total $4 billion.

Clients include Kalamazoo College, Prince Manufacturing and Du-Wel Products.

J. Russell Leonard is chief investment officer. Elyse Goldin Essick is client contact.

### Securities Counselors of Iowa Inc.

*200 Second Ave. Southeast, Cedar Rapids, Iowa 52401; (319) 366-7801*

| | |
|---|---|
| Total assets managed | $419,000,000 |
| Tax-exempt assets managed | $193,000,000 |
| 401(k) assets managed | $7,000,000 |
| Tax-exempt clients | 265 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 6 |

Securities Counselors of Iowa Inc. is an equity, fixed-income and balanced manager.

Its equity approach combines growth and low p/e stocks, sector rotation and quantitative methods and emphasizes balance-sheet quality.

Its fixed-income approach is based on interest rate anticipation and stresses active management of the portfolios' primary characteristics: credit, quality, maturity distribution, coupon, sector allocation, issue selection and diversification.

The asset mix Jan. 1 was 97.3% stocks and 2.7% cash.

There are six 401(k) clients.

The parent company is SCI Financial Group Inc.

John N. Knapp, chairman and president, is chief investment officer. John R. Huey Jr., managing director-Cedar Rapids office, and Myron R. Holman and Mary B. McManus, managing directors-Chicago office, are client contacts.

In *Pensions & Investment Age*'s annual survey of investment advisory firms, "tax-exempt assets" refers to U.S. institutional tax-exempt assets only and does not include individuals, IRAs or Keogh plans.

### Security Capital Real Estate

*1290 Avenue of the Americas, New York, N.Y. 10104; (212) 408-2911*

| | |
|---|---|
| Total assets managed | $1,115,000,000 |
| Tax-exempt assets managed | $898,000,000 |
| Real estate assets managed | $898,000,000 |
| Tax-exempt clients | 160 |
| Types of accounts managed | CJG |
| No. of portfolio managers | 11 |

Security Capital Real Estate Corp., a real estate manager, takes a countercyclical approach, purchasing existing proven income-producing properties with average cash yields of 8%. There is intensive property management by internal personnel. Properties are sold after three to five years.

All tax-exempt assets were in equity real estate Jan. 1.

The parent company is Security Capital Corp.

Clients include Ford, K mart, Alaska and Ohio.

John Streicker, president, is chief investment officer. Lewis W. Kresch, first vice president, is client contact.

### The Security National Bank of Sioux City, Iowa

*6th and Pierce, Sioux City, Iowa 51104; (712) 277-6692*

| | |
|---|---|
| Total assets managed | $288,000,000 |
| Tax-exempt assets managed: | |
| Total | $75,000,000 |
| Commingled | $60,000,000 |
| Separate | $15,000,000 |
| 401(k) and 457 assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 170 |
| Separate | 30 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 2 |

The Security National Bank of Sioux City, Iowa, is an equity, fixed-income and balanced manager.

Its equity approach is based on anal-


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ysis of balance sheet and valuation data.

Its fixed-income approach is to invest in specific maturity ranges according to the interest rate outlook. Yield spreads between securities and sectors are constantly monitored.

The asset mix Jan. 1 was 40% stocks, 40% bonds and 20% cash.

There was one 401(k) or 457 plan client.

Ann Earley, trust investment manager, is chief investment officer. Michael W. Shade, corporate trust officer and division manager, is client contact.

## Security National Bank & Trust Co. of N.J.

*101 Eisenhower Parkway, Roseland, N.J. 07068; (201) 228-9770*

| | |
|---|---|
| Total assets managed | $142,000,000 |
| Tax-exempt assets managed: | |
| Total | $102,000,000 |
| Separate | $102,000,000 |
| 401(k) and 457 assets managed | $10,000 |
| Mortgage-backed assets managed | $200,000 |
| International assets managed | $2,000,000 |
| Tax-exempt clients | 25 |
| Types of accounts managed | CF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

Security National Bank & Trust Co. of N.J. is an equity, fixed-income and balanced manager. It also writes covered calls.

Its equity approach primarily emphasizes growth stock, but there are occasional shifts to sector rotation or low p/e. Its fixed-income approach is passive.

The asset mix Jan. 1 was 50% stocks, 40% bonds, 5% cash and 5% mortgage-backed securities; $2 million was in foreign stocks. There is one 401(k) or 457 plan client.

Lee T. Smith, executive vice president, is chief investment office. Joseph J. Verbaro Jr., senior vice president, is client contact.

## Security Pacific Investment Managers Inc.

*300 S. Grand Ave., Suite 2200 MC8-223, Los Angeles, Calif. 90071; (213) 229-1300*

| | |
|---|---|
| Total assets managed | $4,800,000,000 |
| Tax-exempt assets managed | $4,611,000,000 |
| 401(k) assets managed | $139,000,000 |
| Real estate assets managed | $185,000,000 |
| Mortgage-backed assets managed | $483,000,000 |
| International assets managed | $300,000 |
| Tax-exempt clients | 39 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 3 |

Security Pacific Investment Managers Inc. is an equity, fixed-income, balanced, real estate, options, preferred stock and high-income investment manager.

Its equity approach uses sector rotation. Through identification of the business cycle, optimal cash level, sector emphasis and stock characteristics can be established to take advantage of the effects of the attributes of the economic financial environment on capital markets.

Its fixed-income approach uses interest rate forecasting to identify the liquification and deliquification phases of the credit cycle. The strategy group then develops a target duration and duration range and specific maturity, quality and sector guidelines.

In real estate it actively manages an open-end commingled fund that uses high-quality real estate debt-related instruments to generate incremental returns.

The asset mix Jan.1 was 29.1% stocks, 36.3% bonds, 20.1% cash, 4% mortgages and 10.5% mortgage-backed securities.

There was $184.6 million in mortgages, $482.7 million in mortgage-backed securities, $300,000 in foreign stocks and $371.8 million in dedicated or immunized bond portfolios.

There are four 401(k) clients.

Options, stock index futures and fixed-income futures are used.

The parent company is Security Pacific Corp.

Lloyd McAdams, president and chief executive officer, is chief investment officer. Heather U. Baines, senior vice president-director of marketing and client services, is client contact.

## The Alan G. Seidner Co.

*P.O. Box 60510, Pasadena, Calif. 91106; (818) 795-2251*

| | |
|---|---|
| Total assets managed | $600,000,000 |
| Tax-exempt assets managed | $219,000,000 |
| Mortgage-backed assets managed | $30,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

The Alan G. Seidner Co., a fixed-income manager, seeks the best relative values based on yield spread and yield curve analysis.

All tax-exempt assets were in bonds on Jan. 1; $30 million was in dedicated or immunized bond portfolios.

Ninety percent of the firm's research is generated internally.

Clients include Presbyterian Intercommunity Hospital, Campus Crusade for Christ International, Episcopal Church of Our Saviour and Hemet Valley Hospital District.

Alan G. Seidner, president, is chief investment officer. Sandee Sheek is client contact.

## J & W Seligman & Co. Inc.

*1 Bankers Trust Plaza, New York, N.Y. 10006; (212) 488-0212*

| | |
|---|---|
| Total assets managed | $7,102,000,000 |
| Tax-exempt assets managed | $2,357,000,000 |
| Tax-exempt clients | 84 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 19 |
| Size of research staff | 10 |

J & W Seligman & Co. Inc. is an equity, fixed-income, balanced and high-yield bond manager.

Its equity approach focuses on growth stock, investing primarily for capital appreciation in midsize companies that are fundamentally strong.

Its fixed-income approach is conservative, following an interest rate anticipation model and an equity-oriented high-yield approach.

The asset mix Jan. 1 was 70% stocks, 18% bonds and 12% cash.

The firm follows 150 stocks closely and 300, generally; 70% of research is generated internally.

Clients include New York State Common Retirement Fund, University of Oklahoma, Control Data and Brooklyn Union Gas.

John D. Lynch is chief investment officer. Michael J. Del Priore is client contact.

## Shaw Management Co. Inc.

*851 S.W. Sixth Ave., Portland, Ore. 97204; (503) 228-4884*

| | |
|---|---|
| Total assets managed | $90,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CE |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Shaw Management Co. Inc., an equity manager, uses Graham & Dodd analysis, emerging growth and low p/e stocks.

The asset mix Jan. 1 was 90% stocks, 5% bonds and 5% cash.

The firm follows 50 stocks closely; 25% to 50% of research is generated internally.

Ralph R. Shaw is chief investment officer and client contact.

## Shawmut Banks

*1 Federal St., Boston, Mass. 02211; (617) 292-3886*

| | |
|---|---|
| Total assets managed | $2,610,000,000 |
| Tax-exempt assets managed | $426,000,000 |
| Types of accounts managed | CFJG |
| No. of portfolio managers | 14 |

Shawmut Banks is an equity, fixed-income and balanced manager.

Its equity approach follows a bottom-up, fundamental stock selection process.

Its fixed-income approach uses risk-controlled active bond management to establish a benchmark to meet client objectives. The portfolio is actively managed around the benchmark.

The asset mix Jan. 1 was 26% stocks, 38% bonds and 36% cash.

It follows 110 stocks closely.

The parent company is Shawmut Corp. Assets under management by the parent, subsidiaries and affiliates total $4.18 billion.

Thomas B. Brown is chief investment officer. Peter A. Wilson is client contact.

## Shearson Asset Management Inc.

*2 World Trade Center, New York, N.Y. 10048; (212) 321-5313*

| | |
|---|---|
| Total assets managed | $6,737,000,000 |
| Tax-exempt assets managed | $1,497,000,000 |
| Tax-exempt clients | 696 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 17 |

Shearson Asset Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses fundamental analysis to assess earnings momentum, unrecognized value and the quality of management. Stocks should benefit from competitive advantage and dominant industry and economic trends. It focuses on well-capitalized companies with good relative value and price.

Its fixed-income approach is to invest in high-quality securities in issues or sectors that are undervalued on a relative basis.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

It follows 100 stocks closely and 300, generally; 5% of research is generated internally.

The parent company is Shearson Lehman Brothers, a unit of American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

Clients include New York State Common Retirement Fund, Sundstrand, Continental Telecom and United Merchants & Manufacturers.

Thomas L. Pulling, chairman and chief executive officer, is chief investment officer. Warren Bender, executive vice president, is client contact.

## Shearson Equity Management

*2 World Trade Center, New York, N.Y. 10048; (212) 321-4920*

| | |
|---|---|
| Total assets managed | $800,000,000 |
| Tax-exempt assets managed | $280,000,000 |
| Tax-exempt clients | 2,400 |
| Types of accounts managed | CJ |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 3 |

Shearson Equity Management, an equity manager, uses a fundamental approach with a bias toward quality growth stocks.

The asset mix Jan. 1 was 95% stocks and 5% cash.

The firm follows 100 stocks closely and 1,000, generally; 30% of research is generated internally.

The parent company is Shearson Lehman Brothers, a unit of American Express Co. Assets under management by the parent company, subsidiaries and affiliates total $140.02 billion.

Barry Berlin, president, is chief investment officer. John Hochstrasser, vice president, is client contact.

## Shearson Management Inc.

*521 Fifth Ave., Suite 1401, New York, N.Y. 10175; (212) 759-8932*

| | |
|---|---|
| Total assets managed | $244,000,000 |
| Tax-exempt assets managed | $103,000,000 |
| Tax-exempt clients | 116 |
| Types of accounts managed | CEG |
| Minimum separate account | $200,000 |
| No. of portfolio managers | 3 |

Shearson Management Inc., an equity manager, looks for "niche" growth companies with proven track records. Accounts usually are diversified in 10 positions. Its fixed-income approach is passive.

The asset mix Jan. 1 was 81% stocks, 8% bonds and 11% cash.

It follows 20 stocks closely and 40, generally; all research is generated internally.

The parent company is Shearson Lehman Brothers, a unit of American Express Co. Assets under management by the parent, subsidiaries and affiliates total $140.02 billion.

Leslie M. Pollack is chief investment officer. William E. Lauer Jr., vice president, is client contact.

## Sheffield & Co. Inc.

*900 Circle 75 Parkway, Suite 750, Atlanta, Ga. 30339; (404) 953-1597*

| | |
|---|---|
| Total assets managed | $16,000,000 |
| Tax-exempt assets managed | $13,000,000 |
| International assets managed | $500,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | C |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 1 |

Sheffield & Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach is low p/e, using screens to locate stocks selling at or below book value and having earnings growth potential of 20% annually.

Bonds are acquired to enhance cash flow and reduce volatility. Maturities are held to three to six years.

Options and stock index futures are used.

The asset mix Jan. 1 was 45% stocks, 45% bonds and 10% cash; $500,000 was in foreign bonds.

It follows 40 stocks closely and 100, generally; 75% of the research is generated internally.

Roger Sheffield is chief investment officer and client contact.

## Shields Asset Management

*701 Westchester Ave., White Plains, N.Y. 10604; (914) 684-6900*

| | |
|---|---|
| Total assets managed | $3,005,000,000 |
| Tax-exempt assets managed | $3,005,000,000 |
| Mortgage-backed assets managed | $200,000,000 |
| Tax-exempt clients | 93 |
| Types of accounts managed | CJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 4 |

Shields Asset Management Inc. is an equity, fixed-income, balanced and dedicated bond manager.

Its equity approach uses economic and financial analysis and risk/reward assessments to determine sector concentration and industry/company selection. Portfolios are diversified among generally large, high-quality companies.

Its fixed-income approach is to make maturity and duration judgments based on anticipated interest rate changes and to capitalize on sector opportunities and shifts of yield curves and quality spreads.

The asset mix Jan. 1 was 40% stocks, 48.3% bonds, 5% cash and 6.7% mortgage-backed securities; there was $120 million in dedicated or immunized bond portfolios.

It follows 350 stocks closely and 1,500, generally; 75% of research is generated internally.

Kenneth Safian, director of investment strategy, is chief investment officer. John R. Larkin, vice president, is client contact.

## Siebel Capital Management

*80 E. Sir Francis Drake Blvd., Larkspur, Calif. 94939; (415) 461-3850*

| | |
|---|---|
| Total assets managed | $1,828,000,000 |
| Tax-exempt assets managed | $1,480,000,000 |
| 401(k) assets managed | $1,000,000 |
| Tax-exempt clients | 75 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 2 |

Siebel Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is value-oriented, emphasizing low p/e stocks.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 90% stocks, 4% bonds and 6% cash.

There is one 401(k) client.

It follows 70 stocks closely and 700, generally; 60% of research is generated internally.

The parent company is Equitec Financial Group Inc. Assets under management by the parent, subsidiaries and affiliates are $3.5 billion.

Clients include Ohio State University, Xerox, Connecticut and Oklahoma State Teachers.

Kenneth F. Siebel Jr., president, is chief investment officer. Lawrence A. Mitchell, executive vice president, is client contact.

International advisers: June 29.

## Signet Bank/Maryland

*P.O. Box 17034, Baltimore, Md. 21203; (301) 332-5877*

| | |
|---|---|
| Total assets managed | $640,000,000 |
| Tax-exempt assets managed: | |
| Total | $278,000,000 |
| Commingled | $10,000,000 |
| Separate | $268,000,000 |
| 401(k) and 457 assets managed | $3,000,000 |
| Real estate assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 40 |
| Separate | 200 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 7 |

Signet Bank/Maryland, formerly Union Trust Co. of Maryland, is an equity, fixed-income, balanced and real estate manager.

Its equity approach utilizes sector rotation and Graham & Dodd principles. Its top-down analysis combines quantitative stock valuation and qualitative computer modeling techniques.

Its fixed-income approach uses interest rate anticipation and sector analysis. High quality and maturities averaging less than 10 years are primary guides.

The asset mix Jan. 1 was 50% stocks, 44.7% bonds, 5% cash and 0.3% equity real estate.

Signet Banking Corp. is the parent company. Total assets managed by the parent company, subsidiaries and affiliates are $1.64 billion.

John Pretko is chief investment officer. Jay M. Neale II, vice president, is client contact.

## Signet Trust Co.

*P.O. Box 26311, Richmond, Va. 23260; (804) 771-7154*

| | |
|---|---|
| Total assets managed | $1,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $575,000,000 |
| Commingled | $250,000,000 |
| Separate | $325,000,000 |
| 401(k) and 457 assets managed | $15,000,000 |
| Tax-exempt clients: | |
| Commingled | 300 |
| Separate | 40 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 1 |

Signet Trust Co., formerly Bank of Virginia Trust Co., is an equity, fixed-income, balanced and commingled GIC fund manager.

Its equity approach is risk-averse, incorporating a value-driven style that involves a continual and concurrent process of top-down economic analysis and quantitative stock valuation.

Its fixed-income approach is passive, with short- and intermediate-term bonds used in balanced accounts to provide stability.

The asset mix Jan. 1 was 57% stocks, 38% bonds and 5% cash.

There are 20 401(k) and 457 plan savings plans.

The parent company is Signet Banking Corp. Assets under management by the parent, subsidiaries and affiliates total $1.64 billion.

W. Guy Williams Jr., executive vice president, is chief investment officer. Frank N. Pipino, vice president, is client contact.

## Simms Capital Management

*7 E. 76th St., New York, N.Y. 10021; (212) 861-2830*

| | |
|---|---|
| Total assets managed | $308,000,000 |
| Tax-exempt assets managed | $30,000,000 |
| International assets managed | $8,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Simms Capital Management Ltd. is an equity, fixed-income, balanced and international manager.

Its equity approach uses analysis of world economic trends to seek companies with a catalyst for providing earnings momentum or realization of asset values.

Its fixed-income approach begins with a capitalization-weighted portfolio. Managers diverge from that based on local market economics, yield curve dynamics and prospective currency movements.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 93%

stocks, 2% bonds and 5% cash; $7.1 million was in foreign stocks and $500,000 in foreign bonds.

Arthur Williams III, managing director, is client contact.

### Simpson Capital Management Co.

*1205 PSFS Building, Philadelphia, Pa. 19107; (215) 629-0162*

| | |
|---|---|
| Total assets managed | $40,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| International assets managed | $100,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

Simpson Capital Management Co. is an equity, fixed-income and balanced manager.

Its equity approach is contrarian, using Graham & Dodd analysis, growth, emerging growth and low p/e stocks, sector rotation and market timing.

Its fixed-income approach predominantly uses Treasuries in a process that combines maturity management with interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 15% bonds and 15% cash; $100,000 was in foreign stocks.

Allen J. Simpson, president, is chief investment officer and client contact.

### Sirach/Flinn, Elvins Capital Management

*3323 One Union Square, Seattle, Wash. 98101; (206) 624-3800*

| | |
|---|---|
| Total assets managed | $469,000,000 |
| Tax-exempt assets managed | $443,000,000 |
| 401(k) assets managed | $13,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Sirach/Flinn, Elvins Capital Management is an equity, fixed-income, balanced and GIC manager.

Its equity approach emphasizes growth stocks at a reasonable price. It uses active asset allocation of large- and medium-cap stocks to vary risk levels.

Its fixed-income approach is one of controlled active management based on interest rate forecasting. Duration determines risk level and will be plus or minus one year around the benchmark. Portfolios hold 15 to 20 issues rated BAA or higher.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

There are 11 401(k) clients.

Clients include Boeing and University of Puget Sound.

George B. Kauffman, principal, is chief investment officer.

Kenneth E. Carlson, principal, is client contact.

### Sit Investment Associates

*1714 First Bank Place W., Minneapolis, Minn. 55402; (612) 332-3223*

| | |
|---|---|
| Total assets managed | $2,030,000,000 |
| Tax-exempt assets managed | $1,808,000,000 |
| Mortgage-backed assets managed | $16,000,000 |
| International assets managed | $34,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CEG |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

Sit Investment Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach combines sector rotation with at least a 10% to 15% position in smaller and midsize growth companies.

It uses an interest rate anticipation, rotational style for fixed-income. The firm specializes in developing customized portfolio strategies (using futures and options).

The asset mix Jan. 1 was 89% stocks, 1% bonds, 9% cash and 1% mortgage-backed securities; $34 million was in foreign stocks.

The firm follows 200 stocks closely and 500 generally; 60% of research is generated internally.

Eugene C. Sit, president and chief executive officer, is chief investment officer.

Peter L. Mitchelson, executive vice president, is client contact.

### Skye Investment Advisors

*20370 Town Center Lane, Suite 255, Cupertino, Calif. 95014; (408) 446-4471*

| | |
|---|---|
| Total assets managed | $1,228,000,000 |
| Tax-exempt assets managed | $647,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Skye Investment Advisors Inc. is an equity and fixed-income manager.

It specializes in risk management and portfolio insurance strategies, using computerized methods to protect portfolios against price decline. Option pricing and optimization theory are used to achieve specified downside protection goals. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 54% stocks and 46% bonds.

All research is generated internally.

Clients include Equity Guard Stock Fund, Union Bank, RepublicBank and Imco.

Paul L. McEntire, president, is chief investment officer. Pete Thomas, vice president, is client contact.

### Smith Affiliated Capital

*1221 Avenue of the Americas, New York, N.Y. 10020; (212) 382-1680*

| | |
|---|---|
| Total assets managed | $410,000,000 |
| Tax-exempt assets managed | $325,000,000 |
| Tax-exempt clients | 21 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Smith Affiliated Capital is a fixed-income and balanced manager.

It focuses on sector and maturity decisions. The current yield curve drives the process.

The asset mix Jan. 1 was 98% bonds and 2% cash.

It follows 40 stocks closely; 50% of research is generated internally.

Clients include Uniroyal Plastic, F.W. Woolworth, Medican Insurance Exchange of N.J. and Metromedia.

Robert Smith is chief investment officer. The client contact is David L. Egan, Fairfield Capital Associates, 1720 Post Road E., Westport, Conn., 06880.

### Smith Barney Birtcher Realty Advisors

*1700 Broadway, 34th Floor, New York, N.Y. 10019; (212) 603-8918*

| | |
|---|---|
| Total assets managed | $0 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $50,000,000 |

Smith Barney Birtcher Realty Advisers is a new real estate manager that began accepting clients Feb. 1.

It will offer a series of closed-end real estate funds. The primary investment focus of Fund 1 will be industrial and commercial properties, business parks, high-flex research and technology facilities. Most properties will be acquired on a fully constructed and leased basis, with an investment of $3 million to $20 million. Fund 1's antici-

pated holding period is eight to 10 years.

The parent companies are Smith Barney Inc. and The Birtcher Real Estate Cos.

Albert Nagy is chief investment officer. Ralph E. Heckert is client contact at (203) 967-7032.

### Smith Breeden Associates

*9200 Indian Creek Parkway, Suite 650, Overland Park, Kan. 66210; (913) 451-1566*

| | |
|---|---|
| Total assets managed | $20,000,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $200,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 5 |

Smith Breeden Associates is a fixed-income and mortgage manager.

Its fixed-income approach emphasizes arbitrage through mortgages and derivative products. Hedging techniques are used to control interest rate risk. Options, stock index futures and fixed-income futures are used.

Seventy percent of research is generated internally.

Douglas T. Breeden is chief investment officer. Gregory L. Smith is client contact.

### Cabanne Smith Associates

*101 Bryn Mawr Ave. Bryn Mawr, Pa. 19010; (215) 525-8350*

| | |
|---|---|
| Total assets managed | $70,000,000 |
| Tax-exempt assets managed | $61,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CJ |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Cabanne Smith Associates Inc. is an equity and convertible manager.

Its primary focus is on out-of-favor stocks with low p/es and strong underlying fundamentals, and on emerging growth stocks with growth ratios greater then 1/5 times the stock's p/e ratio.

The asset mix Jan. 1 was 80% stocks, 3% bonds and 17% cash.

The firm follows 150 stocks closely and 300, generally; 50% of research is generated internally.

Clients include Boeing, AMP and Fox Steel.

Stephen Hoyt is client contact.

### Donald Smith & Co. Inc.

*15 Essex Road, Paramus, N.J. 07652; (201) 368-9210*

| | |
|---|---|
| Total assets managed | $839,000,000 |
| Tax-exempt assets managed | $839,000,000 |
| 401(k) assets managed | $9,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | CEG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Donald Smith & Co. Inc. is an equity and balanced manager.

Its equity approach is to buy deeply undervalued securities based upon long-term fundamental considerations.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 76% stocks, 4% bonds and 20% cash.

There is one 401(k) client.

The firm follows 200 stocks closely and 500, generally; 90% of research is generated internally.

Clients include Harvard University, Pillsbury, Virginia, BATUS and University of Texas.

Donald G. Smith, president, is chief investment officer and client contact.

### Gregory L. Smith & Sons

*9200 Indian Creek Parkway, Suite 650, Overland Park, Kan. 66210; (913) 451-1566*

| | |
|---|---|
| Total assets managed | $10,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Gregory L. Smith & Sons Inc. is a manager of GICs and mortgage-related products.

Its fixed-income approach emphasizes duration control. Managers seek the area of the mortgage market that is least efficient, consistent with the duration desires of the client. Portfolios may be hedged. Options and fixed-income futures are used.

Gregory L. Smith, president and chief executive officer, is chief investment officer and client contact.

### Herbert R. Smith Inc.

*1105 Holliday, Wichita Falls, Texas 76301; (817) 723-5565*

| | |
|---|---|
| Total assets managed | $1,530,000,000 |
| Tax-exempt assets managed | $230,000,000 |
| Mortgage-backed assets managed | $16,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Herbert R. Smith Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stocks, sector rotation, market timing and technical analysis. Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 20% stocks, 59% bonds, 14% cash and 7% mortgage-backed securities.

It follows 100 stocks closely and 200, generally; 20% of research is generated internally.

Clients include Texas Instruments, ARKLA, Harkins & Co. and Dallas Easter Seal.

Herbert R. Smith, president, is chief investment officer and client contact.

### Smoot, Miller, Cheney & Co.

*10 W. First South, Crandall Building, Suite 312, Salt Lake City, Utah 84101; (801) 328-4835*

| | |
|---|---|
| Total assets managed | $1,316,000,000 |
| Tax-exempt assets managed | $1,295,000,000 |
| Tax-exempt clients | 64 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Smoot, Miller, Cheney & Co. is an equity, fixed-income and balanced manager.

Its value-oriented, cyclical equity approach emphasizes financially strong companies that offer greater relative value and are generally underowned by other institutional investors. Fundamental and technical analysis are blended.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 68% stocks, 20% bonds and 12% cash.

The firm follows 60 to 100 stocks closely and 100 to 150, generally; 70% of research is generated internally.

Clients include Utah State, Orange County Retirement, Arizona Pipe Trades, W.A. Krueger and New Mexico Electricians.

Robert Cheney, vice president, is chief investment officer. Lynn C. Miller, vice president, is client contact.

### Society National Bank

*800 Superior Ave., Cleveland, Ohio 44114; (216) 344-5041*

| | |
|---|---|
| Total assets managed | $3,386,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,352,000,000 |
| Commingled | $489,000,000 |
| Separate | $863,000,000 |
| 401(k) and 457 assets managed | $85,000,000 |
| Mortgage-backed assets managed | $14,000,000 |
| Tax-exempt clients: | |
| Commingled | 356 |
| Separate | 485 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 15 |
| Size of research staff | 3 |

Society National Bank is an equity, fixed-income and balanced manager.

Its equity approach is to invest primarily in stocks that offer long-term value. The major exception is the earnings momentum fund, for which stocks are bought that exhibit accelerating earnings.

Its fixed-income approach is to actively manage duration on the basis of projected interest movements.

The asset mix Jan. 1 was 55% stocks, 18% bonds, 20% cash, 1% mortgage-backed securities and 6% GICs.

There are 75 401(k) and 457 plan clients.

Society National follows 200 stocks closely and 300, generally; 15% of research is generated internally.

The parent company is Society Corp. Assets under management by the parent, subsidiaries and affiliates total $4.52 billion.

Donald Cruse Jr. is chief investment officer. James P. Foster, vice president, is client contact.

### Solomon Asset Management

*71 Broadway, Suite 1201, New York, N.Y. 10006; (212) 509-8122*

| | |
|---|---|
| Total assets managed | $1,976,000,000 |
| Tax-exempt assets managed | $1,602,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Solomon Asset Management Inc., a fixed-income manager, combines sector analysis and active management with a focus on lower-rated, high-yield and convertible bonds.

The asset mix Jan. 1 was 5% stocks, 90% bonds and 5% cash.

Ninety-five percent of the research is generated internally.

Clients include IBM, PacTel and GTE.

David B. Solomon is chief investment officer. Marianne Murphy is client contact.

### Somerset Asset Management Corp.

*441 Lexington Ave. New York, N.Y. 10017; (212) 679-5357*

| | |
|---|---|
| Total assets managed | $32,000,000 |
| Tax-exempt assets managed | $27,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Somerset Asset Management Corp., a value-oriented equity manager, focuses on growth, emerging growth and low p/e stocks. Market timing is used to limit risk.

The asset mix Jan. 1 was 89.3% stocks and 10.7% cash.

Clients include Evaluation Associates' small equity manager program and John H. Hobbs Charitable Trust.

Donald A. Herman, president, is chief investment officer. James A. Goble, senior vice president, is client contact.

### Southland Trust Co.

*400 N. Olive, 700 Skyway Tower, Dallas, Texas 75201; (214) 969-1070*

| | |
|---|---|
| Total assets managed | $196,000,000 |
| Tax-exempt assets managed: | |
| Total | $196,000,000 |
| Commingled | $16,000,000 |
| Separate | $180,000,000 |
| Real estate assets managed | $138,000,000 |
| Tax-exempt clients: | |
| Commingled | 12 |
| Separate | 18 |
| Types of accounts managed | CF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |

Southland Trust Co. is an equity, fixed-income, balanced and real estate manager.

Its equity approach has a valuation bias, focusing on growth and emerging growth stocks. Sector rotation is used.

Its fixed-income approach uses interest rate anticipation and sector analysis.

Its real estate approach is to purchase quality, low-maintenance industrial properties in growth areas. Properties are held for income and eventually a higher and better use.

The asset mix Jan. 1 was 11% stocks, 16% bonds, 3% cash and 70% equity real estate.

The parent company is Texas Independent Holding. Assets under management by the parent, subsidiaries and affiliates total $750 million.

Robert P. Goodwin is chief investment officer and client contact.

### Southport Financial Corp.

*2507 Post Road, Southport, Conn. 06490; (203) 255-3434*

| | |
|---|---|
| Total assets managed | $225,000,000 |
| Tax-exempt assets managed | $28,000,000 |
| Real estate assets managed | $28,000,000 |
| Tax-exempt clients | 6 |
| Types of accounts managed | C |

Southport Financial Corp. is a real estate manager.

Its approach is client specific.

All tax-exempt assets Jan. 1 were in equity real estate.

C. Wheaton Vaughan, executive vice president, is client contact.

### Southwestern Life Insurance

*P.O. Box 2699, Dallas, Texas 75221; (214) 954-7111*

| | |
|---|---|
| Total assets managed | $2,269,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,030,000,000 |
| Pooled accounts | $8,000,000 |
| GICs | $573,000,000 |
| Annuities | $7,000,000 |
| Other | $442,000,000 |
| Types of accounts managed | CEFG |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Southwestern Life Insurance Co., primarily a fixed-income manager, uses sector analysis. Fixed-income options are used.

Pooled separate assets of $8 million were all in stocks Jan. 1.

There are 60 401(k) clients.

The parent company is ICH Corp. Assets under management by the parent, subsidiaries and affiliates are $8 billion.

Clients include Ernst & Whinney, Texas University System, American Bar Association and Texas Instruments.

Jim Raith, president of ICH Financial Services, is chief investment officer. F.C. "Skip" Sullivan Jr., senior vice president-pensions and annuities, is client contact.

### Sovran Bank

*1111 E. Main St., Richmond Va. 23219; (804) 788-3545*

| | |
|---|---|
| Total assets managed | $4,241,000,000 |
| Tax-exempt assets managed: | |
| Total | $498,000,000 |
| Commingled | $206,000,000 |
| Separate | $292,000,000 |
| 401(k) and 457 assets managed | $7,000,000 |
| Real estate assets managed | $3,000,000 |
| Tax-exempt clients: | |
| Commingled | 628 |
| Separate | 265 |
| Types of accounts managed | CEFG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 4 |

Sovran Bank is an equity, fixed-income and balanced manager.

Its equity approach stresses active management, seeking out undervalued, low-multiple issues with improving fundamentals.

Its fixed-income approach is active, concentrating on undervalued sectors, moderate duration decisions and yield curve analysis.

Options are used.

Its asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash; $3 million was in mortgages.

There are 10 401(k) clients.

The parent company is Sovran Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $6.19 billion.

Robert V. Callahan, trust investment executive officer, is chief investment officer. Marcia D. Smith, first vice president, is client contact.

### Sovran Bank/Maryland

*6610 Rockledge Drive, Bethesda, Md. 20817; (301) 493-2909*

| | |
|---|---|
| Total assets managed | $650,000,000 |
| Tax-exempt assets managed: | |
| Total | $250,000,000 |
| Commingled | $10,000,000 |
| Separate | $240,000,000 |
| 401(k) and 457 assets managed | $18,000,000 |
| Real estate assets managed | $7,000,000 |
| Mortgage-backed assets managed | $18,000,000 |
| International assets managed | $1,000,000 |
| Tax-exempt clients: | |
| Commingled | 50 |
| Separate | 140 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 4 |

Sovran Bank/Maryland is an equity, fixed-income and balanced manager.

Its equity strategy incorporates the use of relative valuation analysis and earnings momentum to arrive at a model. Technical analysis is used as a check against the valuation results. Options are used.

Its fixed-income approach comprises yield curve, sector and duration analyses.

The asset mix Jan. 1 was 55% stocks, 30% bonds, 5% cash, 2% equity real estate, 1% mortgages and 7% mortgage-backed securities.

There was $5 million in equity real estate, $2 million in mortgages, $17.5 million in mortgage-backed securities and $1 million in foreign stocks.

The parent company is Sovran Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $6.19 billion.

Stephen C. Thormahlen, first vice president, is chief investment officer. Carl Brudin, vice president, is client contact.

### Sovran Capital Management

*12th & Main Streets, Richmond, Va. 23261; (804) 788-2316*

| | |
|---|---|
| Total assets managed | $1,300,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,300,000,000 |
| Commingled | $260,000,000 |
| Separate | $1,040,000,000 |
| Mortgage-backed assets managed | $130,000,000 |
| Tax-exempt clients: | |
| Separate | 55 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 8 |

Sovran Capital Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach focuses on low p/e stocks using Graham & Dodd analysis.

Its fixed-income approach is based on three strategies: moderate maturity changes, active sector rotation and yield curve analysis.

Options are used.

The asset mix Jan. 1 was 25% stocks, 65% bonds and 10% mortgage-backed securities.

Half of the research is generated internally.

The parent company is Sovran Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $6.19 billion.

Clients include Bell Atlantic, D.C. Retirement Fund, CSX and Oklahoma Police.

Stuart A. Sachs, president, is chief investment officer. William Schultz, senior vice president, is client contact.

### George B. Springman Inc.

*44 Montgomery St., Suite 626, San Francisco, Calif. 94104-4608; (415) 362-5005*

| | |
|---|---|
| Total assets managed | $181,000,000 |
| Tax-exempt assets managed | $181,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | G |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

George B. Springman Inc., an equity manager, stresses bottom-up valuation emphasizing large-cap issues with lower p/e ratios. It takes a moderately conservative/defensive, opportunity-driven style.

The asset mix Jan. 1 was 94% stocks and 6% cash.

It follows 50 stocks closely and 200, generally; 35% of research is generated internally.

Clients include San Francisco City & County Employees and Contra Costa County Employees.

George B. Springman, president, is chief investment officer and client contact.

### Standish, Ayer & Wood Inc.

*1 Financial Center, Boston, Mass. 02111; (617) 350-6100*

| | |
|---|---|
| Total assets managed | $6,859,000,000 |
| Tax-exempt assets managed | $3,248,000,000 |
| Real estate assets managed | $650,000,000 |
| International assets managed | $75,000,000 |
| Tax-exempt clients | 112 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 42 |
| Size of research staff | 7 |

Standish, Ayer & Wood Inc. is an equity, fixed-income and balanced manager.

Its value/growth equity approach combines Graham & Dodd analysis, growth stock and sector rotation.

Its fixed-income approach stresses active management using intermediate maturities and sector analysis.

The asset mix Jan. 1 was 29% stocks, 47% bonds, 4% cash and 20%

*D. Barr Clayson*

mortgages; $10 million was in foreign stocks, $65 million in foreign bonds and $100 million in dedicated or immunized bond portfolios.

It follows 150 stocks closely and 300, generally; 75% of research is generated internally.

Clients include Northeastern University, Frank Russell Investment, Massachusetts and NYNEX.

D. Barr Clayson, managing director, is chief investment officer. Austin C. Smith, vice president and director, is client contact.

### State Mutual Cos.

*440 Lincoln St. Worcester, Mass. 01605; (617) 852-1000*

| | |
|---|---|
| Total assets managed | $4,000,000,000 |
| Tax-exempt assets managed | |
| Total | $2,200,000,000 |
| Pooled accounts | $120,000,000 |
| GICs | $1,235,000,000 |
| Annuities | $40,000,000 |
| Other | $805,000,000 |
| Tax-exempt clients | 350 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 8 |

State Mutual Cos. is an equity and fixed-income manager.

Its equity approach emphasizes passive management strategies as well as dynamic hedging applications for risk control to suit individual client parameters.

Its fixed-income approach is passive, using interest rate anticipation and sector analysis. It uses active bond management strategies and immunization and dedication techniques.

The separate accounts asset mix Jan. 1 was 65% stocks, 20% bonds and 15% money markets.

There was $6.5 million in equity index funds.

Options, stock index futures and fixed-income futures are used.

The parent company is State Mutual Life Assurance Co. of America. Total assets under management by the parent company, subsidiaries and affiliates are $5 billion.

James R. McAuliffe, vice president, is chief investment officer. Bruce B. Crawford, vice president-group marketing, is client contact.

### State Street Bank and Trust

*225 Franklin St., Boston, Mass. 02110; (617) 654-3236*

| | |
|---|---|
| Total assets managed | $26,473,000,000 |
| Tax-exempt assets managed | |
| Total | $23,572,000,000 |
| Commingled | $6,504,000,000 |
| Separate | $15,068,000,000 |
| 401(k) and 457 assets managed | $2,716,000,000 |
| Real estate assets managed | $360,000,000 |
| Mortgage-backed assets managed | $800,000,000 |
| International assets managed | $2,352,000,000 |
| Tax-exempt clients | |
| Commingled | 850 |
| Separate | 150 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 27 |
| Size of research staff | 11 |

State Street Bank and Trust Co. is an equity, fixed-income, balanced, real estate, international, futures, asset allocation and options manager.

Its equity approach is passive, offering predominantly index funds. Active accounts are highly quantitative, designed for high performance.

Its fixed-income approach is passive, focusing on intelligent risk management for active, immunized, dedicated and indexed income portfolios. They specialize in using financial futures to alter portfolio asset allocation and risk profile.

In real estate its funds are closed-end, commingled and broadly diversified portfolios, investing primarily in equity real estate on a fee basis and emphasize active management of properties and investment structures.

The tax-exempt asset mix Jan. 1 was 53% stocks, 11% bonds, 24% cash, 2% equity real estate, 3% mortgage-backed securities, 2% futures and 5% GICs.

There was $360 million in equity real estate, $2.35 billion in foreign stocks, $8.36 billion in equity index funds, $2.55 billion in bond index funds and $250 million in dedicated or immunized portfolios.

There are 57 401(k) and 457 clients.

Options, stock index futures and fixed-income futures are used.

The parent company is State Street Boston Corp. Total assets under management by the parent company, subsidiaries and affiliates are $26.473 billion.

Nicholas A. Lopardo is chief investment officer. Harry Sterling Jr., vice president, is client contact.

### State Street Research & Management Co.

*1 Financial Center, Boston, Mass. 02111; (616) 482-3920*

| | |
|---|---|
| Total assets managed | $12,991,000,000 |
| Tax-exempt assets managed | $11,827,000,000 |
| Real estate assets managed | $591,000,000 |
| Tax-exempt clients | 57 |
| Types of accounts managed | CEFG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 17 |
| Size of research staff | 18 |

State Street Research & Management Co. is an equity and fixed-income manager.

Its equity approach is value-oriented and price-sensitive, relying heavily on internally generated fundamental research. Sector rotation is used.

Its fixed-income approach focuses on interest rate forecasting as well as sector and issuer weightings. Portfolios are actively managed. Fixed-income futures are used.

The asset mix Jan. 1 was 66% stocks, 22% bonds, 7% cash and 5% mortgages; $30 million was in bond index funds and $530 million in dedicated or immunized bond portfolios.

It follows 250 to 350 stocks closely and 550, generally; 95% of research is generated internally.

The parent company is Metropolitan Life Insurance Co. Assets under management by the parent, subsidiaries and affiliates total $103.2 billion.

Wayne D. Thornbrough, executive vice president, is chief investment officer. Edward W. Bickford, vice president, is client contact.

### Steele & Co. Ltd.

*42 E. Gay St., Suite 1312, Columbus, Ohio-43215; (614) 461-5901*

| | |
|---|---|
| Total assets managed | $33,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| 401(k) assets managed | $500,000 |
| Tax-exempt clients | 11 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Steele & Co. Ltd. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and emerging growth stock, sector rotation and market timing. Technical analysis is emphasized for stocks and bonds.

Its fixed-income approach uses interest rate anticipation and trend analysis based on technical analysis. Its fixed-income model allows swift market timing between long-term Treasury securities and cash. Fixed-income futures are used.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

There is one 401(k) client.

Michael B. Steele is chief investment officer and client contact.

### Stein Roe & Farnham

*1 S. Wacker Drive, Chicago, Ill. 60606; (312) 368-7632*

| | |
|---|---|
| Total assets managed | $10,800,000,000 |
| Tax-exempt assets managed | $5,300,000,000 |
| Mortgage-backed assets managed | $250,000,000 |
| Tax-exempt clients | 774 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 46 |
| Size of research staff | 25 |


~~4:00 p.m. Thursday~~ 11:00 a.m. Friday

# More timely.

Beginning with the April 6th issue, *Pensions & Investment Age* became more timely, more compelling and more essential than ever.

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Stein Roe & Farnham is an equity, fixed-income and balanced manager.

Its equity approach seeks growth, emerging growth and low p/e stocks through quantitative analysis. It has a large-cap, income orientation and uses a 6,500-stock data base to manage portfolios with different investment objectives and styles.

Its fixed-income approach employs multiple disciplines (maturity optimization, sector rotation and credit selection) with a bias toward capital preservation in bear markets. It is a risk manager.

The asset mix Jan. 1 was 43% stocks, 44% bonds, 8% cash and 5% mortgage-backed securities.

There was $400 million in immunized bond portfolios and $150 million in dedicated bond portfolios.

It follows 600 stocks closely and 6,500, generally; 90% of the research is generated internally.

Liberty Mutual Insurance owns 80% of Stein Roe & Farnham.

A. Kugel is chief investment officer. R.L. Ford is client contact.

## Sterling Capital Management

*1770 Independence Center, Charlotte, N.C. 28246; (704) 372-8670*

| | |
|---|---|
| Total assets managed | $830,000,000 |
| Tax-exempt assets managed | $640,000,000 |
| Tax-exempt clients | 107 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Sterling Capital Management, an equity manager, emphasizes asset allocation. It focuses on low p/e, sector rotation, market timing and quantitative techniques to preserve capital while minimizing volatility of returns.

The asset mix Jan. 1 was 47% stocks, 25% bonds and 28% cash.

About 200 stocks are followed closely and 1,000, generally; 50% of research is generated internally.

The parent company is United Asset Management.

Clients include Dean Witter Reynolds, Central Bank of the South, Wake Forest University and Piedmont Aviation.

W. Olin Nisbet, president, is chief investment officer. J. Calvin Rivers, director of marketing, is client contact.

## Stinson Management Co.

*7350 Brightside Road, Baltimore, Md. 21212; (301) 377-6031*

| | |
|---|---|
| Total assets managed | $18,000,000 |
| Tax-exempt assets managed | $4,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | CF |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

Stinson Management Co., an equity manager, emphasizes emerging growth and low p/e stocks and market timing. Options are used.

All assets were in equities Jan. 1.

It follows 100 stocks closely and 500, generally; 90% of research is generated internally.

John Stinson is chief investment officer and client contact.

## Stock Yards Bank & Trust

*1040 E. Main St., Louisville, Ky. 40206; (502) 582-2571*

| | |
|---|---|
| Total assets managed | $305,000,000 |
| Tax-exempt assets managed: | |
| Total | $212,000,000 |
| Commingled | $4,000,000 |
| Separate | $208,000,000 |
| Tax-exempt clients: | |
| Commingled | 20 |
| Separate | 262 |
| Types of accounts managed | CEFG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 4 |

Stock Yards Bank & Trust Co. is an equity, fixed-income, balanced and options manager.

Its equity approach uses Graham & Dodd analysis, and a covered call option strategy.

Its fixed-income approach consists of covered call options against government securities.

The asset mix Jan. 1 was 97% stocks and 3% bonds.

Harry B. Troutman, chairman of the board and chief executive officer, is chief investment officer. R. Keith Cullinan is client contact.

## Stratton Capital Management Inc.

*6400 High Drive, Mission Hills, Kan. 66208; (913) 677-0743*

| | |
|---|---|
| Total assets managed | $3,000,000 |
| Tax-exempt assets managed | $2,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | C |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 1 |

Stratton Capital Management Inc. is an equity and balanced manager.

Its growth-stock and market-timing equity approach screens a large universe through technical analysis. Sell disciplines are emphasized.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 75% stocks, 10% bonds and 15% cash.

It follows 50 stocks closely and 250, generally; 90% of research is generated internally.

John Stratton, president, is chief investment officer and client contact.

## Strong/Corneliuson Capital Management Inc.

*815 E. Mason St., Milwaukee, Wis. 53202; (414) 765-0620*

| | |
|---|---|
| Total assets managed | $2,820,000,000 |
| Tax-exempt assets managed | $1,696,000,000 |
| International assets managed | $10,000,000 |
| Tax-exempt clients | 84 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Strong/Corneliuson Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach uses growth and low p/e stocks and Graham & Dodd analysis. Its fixed-income approach is based on interest rate anticipation. Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 50% stocks, 36% bonds and 14% cash; $10 million was in foreign stocks.

It follows 100 stocks closely and 200 to 300, generally; all research is generated internally.

Clients include Southern Co., W.K. Kellogg Foundation, Johnson Controls and Public Service Electric & Gas.

Richard S. Strong and William D. Corneliuson, portfolio managers and analysts, are chief investment officers. Bruce D. Behling, president, is client contact.

## Stuyvesant Capital Management Corp.

*50 Broad St., New York, N.Y. 10004; (212) 422-8773*

| | |
|---|---|
| Total assets managed | $122,000,000 |
| Tax-exempt assets managed | $95,000,000 |
| Mortgage-backed assets managed | $27,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | EFJ |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 3 |

Stuyvesant Capital Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach consists of a Graham & Dodd valuation model to determine disciplined buy and sell points; it monitors major technical market indicators.

Its fixed-income approach is to manage portfolios to take advantage of the opportunities that evolve over the course of an interest rate cycle. Business cycles are determined by its business index.

The asset mix Jan. 1 was 40% stocks, 27% bonds, 5% cash and 28% mortgage-backed securities.

Donald Von Wedel is chief investment officer and client contact.

## STW Fixed Income Management Inc.

*1165 Coast Village Road, Santa Barbara, Calif. 93108; (805) 565-1625*

| | |
|---|---|
| Total assets managed | $3,042,000,000 |
| Tax-exempt assets managed | $2,531,000,000 |
| 401(k) assets managed | $10,000,000 |
| Mortgage-backed assets managed | $120,000,000 |
| International assets managed | $300,000,000 |
| Tax-exempt clients | 48 |
| Types of accounts managed | CEFG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 2 |

STW Fixed Income Management Inc. is a fixed-income and international fixed-income manager.

Its uses sector analysis in its non-market-timing, value-oriented active management approach to investment-grade securities. Fixed-income futures are used.

The asset mix Jan. 1 was 95% bonds and 5% mortgage-backed securities; $300 million was in foreign bonds and $16 million in dedicated or immunized bond portfolios.

There are two 401(k) clients.

William H. Williams III is chief investment officer and client contact.

## Suhrco Real Estate Advisors

*401 Parkplace, Suite 501, Kirkland, Wash. 98033; (206) 828-4464*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed | $85,000,000 |
| Real estate assets managed | $85,000,000 |
| Tax-exempt clients | 3 |
| Types of accounts managed | CG |

Suhrco Real Estate Advisors Inc., a real estate manager, specializes in turn-around situations, stressing intensive real estate management of existing office buildings, shopping centers and mixed-use developments. It accepts accounts on a discretionary or non-discretionary basis.

All assets were in equity real estate Jan. 1.

Edwin C. Suhrbier is chief investment officer and client contact.

## Sullivan, Morrissey & Mickle Capital Management Corp.

*450 Park Ave., Suite 2003, New York, N.Y. 10022; (212) 832-7440*

| | |
|---|---|
| Total assets managed | $125,000,000 |
| Tax-exempt assets managed | $85,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 3 |

Sullivan, Morrissey & Mickle Capital Management Corp. is a quantitative, value/growth equity manager that invests in profitable companies selling at low prices relative to reinvested earnings.

The asset mix Jan. 1 was 80% stocks and 20% cash.

It follows 150 stocks closely and 500, generally; 90% of research is generated internally.

Clients include Beecham, Cunard Lines, Glass, Plastic & Pipefitters Allied Workers and Redemptorist Fathers.

John F. Sullivan, chairman, is chief investment officer. The client contact is James C. Vogelzang, Vogelzang & Associates, P.O. Box 890, Calistoga, Calif. 94515; (707) 942-4611.

## Sumitomo Bank of California Trust Department

*P.O. Box 3949, San Francisco, Calif. 94119; (415) 445-8097*

| | |
|---|---|
| Total assets managed | $30,000,000 |
| Tax-exempt assets managed: | |
| Total | $11,000,000 |
| Separate | $11,000,000 |
| Tax-exempt clients | 12 |
| Types of accounts managed | C |
| No. of portfolio managers | 1 |

Sumitomo Bank of California Trust Department is an equity, fixed-income and balanced manager.

The asset mix Jan. 1 was 60% stocks, 10% bonds and 30% cash.

It follows 50 stocks generally.

The parent company is Sumitomo Bank Ltd., Osaka, Japan.

Edward H. Turner Jr., assistant vice president and trust investment officer, is chief investment officer and client contact.

## Summit Management Co.

*515 S. Figueroa St. Suite 1050, Los Angeles, Calif. 90071-3327; (213) 627-3319*

| | |
|---|---|
| Total assets managed | $415,000,000 |
| Tax-exempt assets managed | $197,000,000 |
| Tax-exempt clients | 27 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Summit Management Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach is based on sector rotation, concentrating in those sectors responding to current market themes and undergoing substantial price revaluation.

Its fixed-income approach is based on interest rate anticipation and emphasizes maturity selection, credit analysis and use of undervalued or overlooked opportunities.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash.

It follows 50 stocks closely and 200, generally; 60% of research is generated internally.

Parent company is U.S. Trust Corp. Assets under management by the parent, subsidiaries and affiliates total $11.5 billion.

Clients include Williams Cos., Magnetek, Occidental College and Pacific Homes.

Robert M. Raney, senior vice president, is chief investment officer. Franklin E. Ulf, president and chief executive officer, is client contact.

## The Summit Trust Co.

*367 Springfield Ave., Summit, N.J. 07091; (201) 522-8400*

| | |
|---|---|
| Total assets managed | $850,000,000 |
| Tax-exempt assets managed: | |
| Total | $240,000,000 |
| Commingled | $42,000,000 |
| Separate | $198,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Mortgage-backed assets managed | $8,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

The Summit Trust Co. is an equity, fixed-income, balanced and cash manager.

Its value-oriented equity approach is based on a bottom-up and relative value analysis in connection with a top-down scenario.

Its fixed-income approach focuses on high-quality issues with moderate emphasis on interest rate forecasts and sector swaps.

The asset mix Jan. 1 was 45% stocks, 41% bonds, 10% cash and 4% mortgage-backed securities.

There are 10 401(k) clients.

Thomas H. Clynes Jr. is chief investment officer. Joseph N. Markovich is client contact.

## Sun Bank Investment Management Group

*P.O. Box 3808, Orlando, Fla. 32802; (305) 237-4352*

| | |
|---|---|
| Total assets managed | $3,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,100,000,000 |
| Commingled | $300,000,000 |
| Separate | $800,000,000 |
| 401(k) and 457 assets managed | $40,000,000 |
| Real estate assets managed | $20,000,000 |
| Tax-exempt clients: | |
| Commingled | 400 |
| Separate | 100 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 4 |

Sun Bank Investment Management Group is an equity, fixed-income and balanced manager.

Its value-oriented, large-cap approach uses active portfolio management emphasizing stocks with above-average historical expected growth and strong fundamentals that are selling at low relative prices.

Its fixed-income approach emphasizes using the full range of maturities and shifts holdings on the basis of interest rate anticipation, sector swapping and yield curve analysis.

The real estate fund holds income-producing properties, including shopping centers, small office buildings, light industrial warehouses and offices.

The asset mix Jan. 1 was 65% stocks, 25% bonds, 8% cash and 2% equity real estate.

There are twenty 401(k) clients.

The parent company is Sun Banks Inc. Assets under management by the parent, subsidiaries and affiliates total $4.1 billion.

Anthony R. Gray, president, is chief investment officer. Victor A. Zollo Jr., senior vice president, is client contact.

## Sun Life Assurance Co. of Canada

*200 University Ave., Toronto, Ontario M5H 3C7; (416) 595-7500*

| | |
|---|---|
| Total assets managed | $14,846,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,473,000,000 |
| For subsidiaries of U.S. firms | $376,000,000 |
| Real estate assets managed | $423,000,000 |
| Tax-exempt clients: | |
| Total | 126 |
| U.S. subsidiaries | 26 |
| Types of accounts managed | CEPU |
| Minimum separate account | $1,500,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 25 |

Sun Life Assurance Co. of Canada is an equity, fixed-income, balanced and real estate manager. It also has mortgage and private placement bond capabilities.

Its equity approach stresses undervalued situations, using Graham & Dodd analysis with low p/e stocks and sector rotation.

Its fixed-income approach emphasizes interest rate anticipation, sector swapping and immunization.

Its real estate approach concentrates on acquisition of geographically diverse, good-quality industrial, commercial and office properties providing reasonable current income and possessing favorable growth potential.

The asset mix Jan. 1 was 32% Canadian stocks, 26% bonds, 4% cash, 13% equity real estate, 16% mortgages, 8% U.S. stocks and 1% venture capital; $19.9 million was in dedicated or immunized bond portfolios.

Assets managed by Sun Life Assurance, its subsidiaries and affiliates total $27.85 billion.

Terrence L. Bedard, vice president-investments, is chief investment officer. Peter A. Salloum, vice president, is client contact.

## Sutro Capital Management

*201 California St., San Francisco, Calif. 94111; (415) 445-8530*

| | |
|---|---|
| Total assets managed | $85,000,000 |
| Tax-exempt assets managed | $45,000,000 |
| 401(k) assets managed | $14,000,000 |
| International assets managed | $3,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

Sutro Capital Management is an equity and balanced manager.

Its equity approach emphasizes long-term total return and is concept-sector driven. Stressing low p/e, it is oriented toward quality and value. Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 65% stocks, 25% bonds and 10% cash; $3 million was in foreign bonds.

There are four 401(k) clients.

The parent company is Sutro & Co. Inc.

Lewis Katcher, director, is chief investment officer and client contact.

## Swanson Hamo Capital Management

*4600 Fashion Square, Suite 111, Saginaw, Mich. 48604; (517) 790-1291*

| | |
|---|---|
| Total assets managed | $155,000,000 |
| Tax-exempt assets managed | $100,000,000 |
| 401(k) assets managed | $7,000,000 |
| Tax-exempt clients | 110 |
| Types of accounts managed | CFJ |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Swanson Hamo Capital Management is an equity and balanced manager.

Its top-down equity approach uses fundamental criteria for stock selection and asset allocation, emphasizing growth stock, sector rotation, market timing and quantitative analysis.

Its passive fixed-income approach adjusts maturities based on its interest rate projections.

The asset mix Jan. 1 was 55% stocks, 30% bonds and 15% cash.

It follows 80 stocks closely and 2,000, generally; 20% of the research is generated internally.

Clients include Medical Arts Pension, Flint Urban League, Universal Electric and Compak.

Joseph Hamo and Stephan Swanson are chief investment officers and client contacts.

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Cash management survey: Nov. 2.

### Systematic Investors Inc.

*284 High St., Boston, Mass. 02110; (617) 423-9691*

| | |
|---|---|
| Total assets managed | $23,000,000 |
| Tax-exempt assets managed | $23,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 2 |

Systematic Investors Inc. is an equity and balanced manager.

Its equity approach is quantitative and active/passive.

Its fixed-income approach is long-term, with monetary and economic policy dominating the outcome. It is passive, with much less emphasis placed on sector swaps, coupons and maturities.

The asset mix Jan. 1 was 62% stocks, 25% bonds and 13% cash.

Clients include National Gypsum, Core Laboratories, Beverage Management and W&B Refrigeration.

Loren M. Wood, president, is chief investment officer and client contact.

t

### Tallasi Management Co. Inc.

*1 Battery Park Plaza, New York, N.Y. 10004; (212) 248-3090*

| | |
|---|---|
| Total assets managed | $419,000,000 |
| Tax-exempt assets managed | $354,000,000 |
| International assets managed | $13,000,000 |
| Tax-exempt clients | 24 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 3 |

Tallasi Management Co. Inc., an equity and balanced manager, uses Graham & Dodd analysis, low p/e stocks and sector rotation in its defensive equity approach.

The asset mix Jan. 1 was 77% stocks, 6% bonds and 17% cash; $13 million was in foreign stocks.

Tallasi follows 300 stocks closely and 500, generally; 40% of research is generated internally.

Clients include Williams Cos., Santa Fe Industries, Wickes and Milwaukee Sheet Metal Workers.

Rodney B. Mitchell, president, is chief investment officer. William O. Badger, director of marketing and client service, is client contact.

### Target Investors Inc.

*Century Plaza South, 100 Prospect St., Stamford, Conn. 06901; (203) 359-0600*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Target Investors Inc., an equity manager, invests in small to midsize growth companies having relatively low p/es, strong balance sheets and positive earnings surprise potential.

The asset mix Jan. 1 was 99% stocks and 1% cash.

Target follows 50 stocks closely and 6,000, generally; 90% of the research is generated internally.

Clients include Allied-Signal, Dallas, Champion and Electrical Supplies.

Robert Zuccaro, president, is chief investment officer. He and Mary Jane Boyle, vice president-marketing, are client contacts.

### Templeton International

*Broward Financial Centre, Suite 2100, Fort Lauderdale, Fla. 33394-3091; (305) 764-7390*

| | |
|---|---|
| Total assets managed | $9,600,000,000 |
| Tax-exempt assets managed | $2,395,000,000 |
| International assets managed | $2,395,000,000 |
| Tax-exempt clients | 102 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 3 |

Templeton International is an equity, fixed-income, balanced and international manager.

Its equity approach is based on Graham & Dodd analysis and low p/e stocks searching for undervalued securities. Its long-term approach precludes any country or currency allocation. Strategy remains flexible and responsive to the selection of stocks based primarily on their relative undervaluation.

Its fixed-income approach uses sector analysis, identifying initially those countries with the most positive currency and interest rate outlook. Subsequently, a value analysis occurs factoring in liquidity, volatility and market size.

The asset mix Jan. 1 was 85% stocks, 5% bonds and 10% cash.

There was $2.03 billion in foreign stocks, $120 million in foreign bonds and $239 million in foreign cash.

The parent company is Templeton, Galbraith & Hansberger Ltd. Total assets under management by the parent company, subsidiaries and affiliates are $9.6 billion.

John Templeton, chairman, is chief investment officer. Michael G. Landry, senior vice president, is client contact.

### Tenneco Asset Management

*P.O. Box 2511, Houston, Texas 77001; (713) 757-5462*

| | |
|---|---|
| Total assets managed | $1,035,000,000 |
| Tax-exempt assets managed | $832,000,000 |
| 401(k) assets managed | $47,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |

Tenneco Asset Management Co. is an equity, fixed-income, balanced and international manager.

Its equity approach is passive. It combines quantitative orientation with extensive data resources that enables effective management of large sums in large-cap stocks. Its growth stock approach has a geographical bias to the Southwest.

Its fixed-income approach is passive, using sector rotation and generating fundamental research internally from external sources to determine undervalued areas of the fixed-income market and exposure to market risk.

The asset mix Jan. 1 was 50% stocks and 50% bonds.

There was $319 million in equity index funds.

There is one 401(k) client.

Options, stock index futures and fixed-income futures are used.

The parent company is Tenneco Inc. Total assets under management by the parent company, subsidiaries and affiliates are $1.035 billion.

Dan E. Watson in chief investment officer. Edward L. Jaroski is client contact.

### Texas American Investment Management

*500 Throckmorton, Fort Worth, Texas 76113; (813) 338-8439*

| | |
|---|---|
| Total assets managed | $2,648,000,000 |
| Tax-exempt assets managed: | |
| Total | $600,000,000 |
| Commingled | $100,000,000 |
| Separate | $500,000,000 |
| 401(k) and 457 assets managed | $15,000,000 |
| Real estate assets managed | $60,000,000 |
| Tax-exempt clients: | |
| Commingled | 300 |
| Separate | 100 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 1 |

Texas American Investment Management is an equity, fixed-income, balanced and real estate manager.

Its equity approach is based on a long-term philosophy that is fundamental in nature while still oriented toward growth through high-value equity investments.

Its fixed-income approach is passive, seeking maximum income and preservation of principal through diversified investments in intermediate-term securities.

Its real estate approach is to actively invest in high-quality income-producing properties offering competitive cash returns and significant potential for appreciation.

The asset mix Jan. 1 was 40% stocks, 30% bonds, 15% cash, 10% equity real estate and 5% in GICs; $60 million was in equity real estate.

There are 10 401(k) clients.

The parent company is Texas American Bancshares. Assets under management by the parent, subsidiaries and affiliates total $4.5 billion.

Harold Achziger, president, is chief investment officer. Gary C. Nelson, senior vice president, is client contact.

### Texas Commerce Bank

*P.O. Box 2558, Houston, Texas 77252-2058; (713) 236-4497*

| | |
|---|---|
| Total assets managed | $7,198,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,259,000,000 |
| Commingled | $1,233,000,000 |
| Separate | $1,026,000,000 |
| 401(k) and 457 assets managed | $55,000,000 |
| Tax-exempt clients: | |
| Commingled | 2,163 |
| Separate | 31 |
| Types of accounts managed | CEFGJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 10 |

Texas Commerce Bank, N.A., is an equity, fixed-income and balanced manager.

Its equity approach seeks to identify medium growth companies that appear, based on in-house fundamental research, to be in current or expected strong earnings growth.

Its fixed-income approach uses interest rate anticipation. Average maturity is no less than three, no more than 15 years, (reducing price volatility by 25%), with six to 12 years most likely.

The asset mix Jan. 1 was 23% stocks, 60% bonds and 17% cash.

The parent company is Texas Commerce Bancshares Inc. Total assets


# Investment Advisors

to pension and profit sharing plans
...and the substantial investor

The cornerstone philosophy of David J. Greene and Company was established nearly a half century ago. The preservation and appreciation of capital through investment in undervalued securities and special situations was then, is now and will continue to be, the governing principle of our investment concepts.

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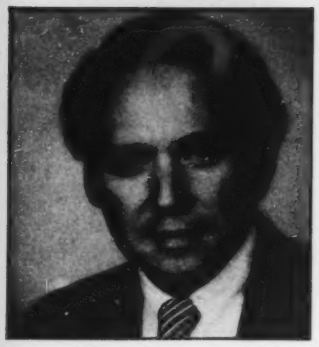


*Geoff Raymond*

under management by the parent company, subsidiaries and affiliates are $8.84 billion.

Clients include Southwestern Bell, Houston Chronicle and Ashland Oil.

Geoff Raymond, president of Texas Commerce Investment Management, is chief investment officer. Willard B. Wagner III, vice president and trust officer, is client contact.

## Third National Bank in Nashville

*Financial Services Division, Nashville, Tenn. 37244; (615) 748-4391*

| | |
|---|---|
| Total assets managed | $1,525,000,000 |
| Tax-exempt assets managed: | |
| Total | $570,000,000 |
| Commingled | $269,000,000 |
| Separate | $301,000,000 |
| 401(k) and 457 assets managed | $61,000,000 |
| Real estate assets managed | $54,000,000 |
| Mortgage-backed assets managed | $25,000,000 |
| Tax-exempt clients: | |
| Commingled | 417 |
| Separate | 45 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |

Third National Bank in Nashville is an equity, fixed-income, balanced, real estate and pooled indexed GIC fund/pooled bullet GIC fund manager.

Its equity approach is based on top-down sector rotation, emphasizing shifts through the business cycle.

Its fixed-income approach is quantitative, matching a target risk level and adding value through detailed yield curve analysis and various options and fixed-income futures strategies.

Its real estate approach emphasizes purchasing income-producing properties of $1 million to $5 million in the secondary markets of the Southeast.

The asset mix Jan. 1 was 35% stocks, 45% bonds, 10% cash, 5% equity real estate and 5% mortgages; $27 million was in equity real estate, $27 million in mortgages and $25 million in mortgage-backed securities.

There are 22 401(k) and 457 clients.

The parent company is SunTrust. Assets managed by the parent, subsidiaries and affiliates total $20 billion.

Charles Winger is chief investment officer. Larry Gibson is client contact.

## Thompson/Rubinstein Investment Management

*715 S.W. Morrison, Suite 604, Portland, Ore. 97205; (503) 224-1488*

| | |
|---|---|
| Total assets managed | $281,000,000 |
| Tax-exempt assets managed | $186,000,000 |
| Tax-exempt clients | 63 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 1 |

Thompson/Rubinstein Investment Management Inc. is an equity, fixed-income and balanced manager.

Its bottom-up equity approach emphasizes companies that have a history of earnings and dividend growth, high return on equity and management that has a substantial investment in the business.

Its fixed-income approach is based on interest rate anticipation, investing in U.S. government and high-quality corporate securities with maturities of 10 years or less.

The asset mix Jan. 1 was 75% stocks, 24% bonds and 1% cash.

Fay L. Thompson and Richard A. Rubinstein are chief investment officers. Tim F. Ellis, vice president, is client contact.

## Thompson, Siegel & Walmsley Inc.

*P.O. Box 6883, Richmond, Va. 23230; (804) 353-4500*

| | |
|---|---|
| Total assets managed | $2,500,000,000 |
| Tax-exempt assets managed | $2,230,000,000 |
| 401(k) assets managed | $225,000,000 |
| Tax-exempt clients | 111 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

Thompson, Siegel & Walmsley Inc. is an equity and balanced manager.

Its equity approach uses sector rotation and market timing while seeking growth stocks. It pursues a conservative risk-averse value-oriented approach incorporating top-down analysis, valuation and fundamental security analysis and asset allocation tools as building-block disciplines in its highly structured decision-making process.

Its fixed-income approach uses interest rate anticipation and sector analysis.

It pursues a conservative, risk-averse approach, incorporating top-down analysis, fundamental credit analysis and sector spread analysis.

The asset mix Jan. 1 was 62% stocks, 15% bonds and 23% cash.

The parent company is United Asset Management. Total assets under management by the parent, subsidiaries and affiliates are $17.824 billion.

Clients include Pacific Telesis, James River, Burroughs Wellcome and Austin.

Matthew G. Thompson, John T. Siegel, S. Pierce Walmsley and Horace P. Whitworth II are chief investment officers. Matthew G. Thompson, managing director, is the client contact.

## Thorson, Brown & Plunkett

*43 Arch St. Greenwich, Conn. 06830; (203) 661-0666*

| | |
|---|---|
| Total assets managed | $373,000,000 |
| Tax-exempt assets managed | $78,000,000 |
| Tax-exempt clients | 33 |
| Types of accounts managed | CEF |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Thorson, Brown & Plunkett Inc., an equity and balanced manager, is theme-oriented with a bias toward small and midsize companies that are underowned institutionally. It focuses on identifying emerging trends, with capital concentrated in sectors and companies that will benefit.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 50% stocks, 35% bonds and 15% cash.

Peter A. Thorson and John H. Plunkett, managing directors, are chief investment officers. Pegeen M. Burgess, vice president and director of marketing, is client contact.

## Timmins & Associates Ltd.

*P.O. Box 1160, Station A, Toronto, Ontario M5W 1G5; (416) 364-5620*

| | |
|---|---|
| Total assets managed | $1,350,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,120,000,000 |
| For subsidiaries of U.S. firms | $160,000,000 |
| Real estate assets managed | $17,000,000 |
| Tax-exempt clients: | |
| Total | 100 |
| U.S. subsidiaries | 9 |
| Types of accounts managed | CEFU |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 2 |

Timmins & Associates Ltd., a Canadian firm, is an equity, fixed-income, balanced and asset mix manager.

Its equity approach is based on a scenario-driven relative price-earnings model with sector rotation from economic forecasts and private management interviews.

Its fixed-income approach emphasizes sector management. Quantitative forecasting and evaluation techniques are used extensively.

The asset mix Jan. 1 was 37% Canadian stocks, 46% bonds, 7% cash and 10% in U.S. stocks; $5 million was in real estate equity and $12 million was in mortgages.

Jean-Guy Desjardins, president, is chief investment officer. Charles J. Wakefield, vice president in Toronto, and Guy Normandin, vice president in Montreal, are client contacts.

## T&L Advisors Inc. of Virginia

*2333 Old Ivy Road, Charlottesville, Va. 22901; (804) 977-4407*

| | |
|---|---|
| Total assets managed | $1,500,000 |
| Tax-exempt assets managed | $500,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |

T&L Advisors Inc. of Virginia is an equity and balanced manager.

It offers two types of equity management: capital appreciation, where it focuses on medium-size growth companies; income and capital appreciation, where it uses convertible securities, master limited partnerships and dividend growth stocks. Technical analysis is used to determine equity exposure.

The asset mix Jan. 1 was 85% stocks, 10% bonds and 5% cash.

Options and stock index futures are used.

Theodore E. Loud is chief investment officer and client contact.

## Todd Investment Advisors

*3160 First National Tower, Louisville, Ky. 40202; (502) 585-3121*

| | |
|---|---|
| Total assets managed | $2,301,000,000 |
| Tax-exempt assets managed | $2,249,000,000 |
| Mortgage-backed assets managed | $92,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 4 |

Todd Investment Advisors Inc. is an equity, fixed-income and balanced manager.

Its equity approach is conservative with a strong capital-preservation bent, focusing on low-beta, large-cap and high-yield stocks. It uses aggressive shifts between sectors and industry groups. Valuation studies determine asset allocation, while quantitative measures control buying and selling.

Its fixed-income approach is based on interest rate anticipation. High-quality securities are used with aggressive shifts in average maturity.

Options, stock index futures and fixed-income futures are used.

The asset mix Jan. 1 was 27% stocks, 54% bonds, 15% cash and 4% mortgage-backed securities; there was $150 million in dedicated or immunized portfolios.

It follows 70 stocks closely and 425, generally; 60% of research is generated internally.

Clients include Kentucky Teachers, Memphis, Louisville Gas & Electric and Ohio Casualty Insurance.

Bosworth M. Todd Jr. is chief investment officer. Robert M. Calvert, executive vice president, is client contact.

## Toledo Trust Co.

*3 SeaGate, Toledo, Ohio 43603; (419) 259-8142*

| | |
|---|---|
| Total assets managed | $2,666,000,000 |
| Tax-exempt assets managed: | |
| Total | $812,000,000 |
| Commingled | $315,000,000 |
| Separate | $.497,000,000 |
| 401(k) and 457 assets managed | $23,000,000 |
| International assets managed | $16,000,000 |
| Tax-exempt clients | 1,019 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 2 |

Toledo Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach is growth stock and quantitative-oriented. Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 40% stocks, 45% bonds and 15% cash.

There was $14 million in foreign stocks and $2 million in foreign bonds.

There are 45 401(k)/457 clients.

**Key to abbreviations**

**C:** Corporate account
**E:** Educational endowments
**F:** Private foundations
**G:** U.S. state and local governments
**J:** Jointly trusteed
**P:** Canadian provincial governments
**U:** Unions (Canadian advisers only)

The parent company is Trustcorp Inc. Total assets under management by the parent company, subsidiaries and affiliates is $4.6 billion.

Ted Hahn, senior vice president, is chief investment officer. Julie B. Higgins, vice president-employee benefit trust, is client contact.

## Tomlin Properties Inc.

*5001 Spring Valley Road, Dallas, Texas 75244; (214) 239-8041*

| | |
|---|---|
| Total assets managed | $580,000,000 |
| Tax-exempt assets managed | $80,000,000 |
| Real estate assets managed | $80,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| Minimum separate account | $2,000,000 |
| Size of research staff | 5 |

Tomlin Properties Inc., a real estate manager, focuses on analyzing, acquiring and reselling undeveloped land in the path of rapidly growing major metropolitan centers.

All tax-exempt assets were in equity real estate Jan. 1.

Dan. O. Tomlin Jr. is chief investment officer. Neil J. Johnston, managing director, is client contact.

## Toronto Investment Management

*26 Wellington St. E., Suite 900, Toronto, Ontario M5E 1S2; (416) 865-0731*

| | |
|---|---|
| Total assets managed | $4,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,700,000,000 |
| For subsidiaries of U.S. firms | $1,280,000,000 |
| Real estate assets managed | $51,000,000 |
| Tax-exempt clients: | |
| Total | 69 |
| U.S. subsidiaries | 26 |
| Types of accounts managed | CEFU |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 1 |

Toronto Investment Management, a Canadian firm, is an equity, fixed-income and specialty pooled-fund manager.

Its equity approach uses fundamental analysis with an emphasis on growth and low p/e stocks and market timing. Portfolios are value-oriented.

Its fixed-income approach is fundamentally oriented to economic and credit market research. Extensive use is made of computer analysis and spread trading analysis. Value is added through trades in coupon sector, quality and yield curve.

The asset mix Jan. 1 was 30% Canadian stocks, 45% bonds, 12% cash, 3% equity real estate, 7% U.S. stocks and 3% non-North American equity; $51 million was in equity real estate.

It follows 125 stocks closely and 250, generally; 50% of research is generated internally.

The parent company is AMI Asset Management International Inc. Assets under management by the parent, subsidiaries and affiliates total $7.2 billion.

Gary V. Kondrat, vice president, is chief investment officer. Tania A. Murenko, vice president-corporate development, is client contact.

## Robert E. Torray & Co. Inc.

*6610 Rockledge Drive, Suite 450, Bethesda, Md. 20817; (301) 493-4600*

| | |
|---|---|
| Total assets managed | NA |
| Tax-exempt assets managed | NA |

Robert E. Torray & Co. Inc. is an equity and balanced manager.

Its equity approach emphasizes low p/e and Graham & Dodd principles.

Robert E. Torray is chief investment officer. Allan D. White, vice president, is client contact.

## Touche Remnant Pension Fund Management Ltd.

*Mermaid House, 2 Puddle Dock, London, England EC4V 3AT; 01-236-6565*

| | |
|---|---|
| Total assets managed | $1,675,000,000 |
| Tax-exempt assets managed | $6,000,000 |
| International assets managed | $6,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 32 |

Touche Remnant Pension Fund Management Ltd. is an international manager.

Its equity approach is active, emphasizing asset allocation among major world markets. Security selection favors growth companies supported by capable management and strong balance sheets, regardless of size. Currency hedging is used.

Its fixed-income approach uses interest rate anticipation and sector analysis. It looks at relative value between sectors against a broad economic background.

The asset mix Jan. 1 was 88.5% stocks and 11.5% cash.

Options are used.

The parent company is Touche Remnant Holdings Ltd. Total assets under management by the parent, subsidiaries and affiliates are $5.67 billion.

William Vincent, director of Touche Remnant & Co., is chief investment officer. David H. Carter, London, and Deborah Hootman, New York, (212) 758-6040, are client contacts.

## Townsend Asset Management Co. Inc.

*P.O. Box 1110, 45 Essex St., Hackensack, N.J. 07601; (201) 646-1511*

| | |
|---|---|
| Total assets managed | $25,000,000 |
| Tax-exempt assets managed | $1,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CF |
| Minimum separate account | $50,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Townsend Asset Management Co. Inc. is an equity, fixed-income and balanced manager.

Its equity approach is to buy equities of small companies with below-average financial leverage relative to peer industry companies when available at prices less than their intrinsic, private worth.

Its fixed-income approach is passive, with interest rate bets tightly controlled.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

James W. Townsend, president, is chief investment officer and client contact.

## Trafalgar Capital Management

*277 Lakeshore Road E., Suite 401, Oakville, Ontario L6J 1H9; (416) 842-5310*

| | |
|---|---|
| Total assets managed | $375,000,000 |
| Tax-exempt assets managed: | |
| Total | $375,000,000 |
| For subsidiaries of U.S. firms | $130,000,000 |
| Real estate assets managed | $90,000,000 |
| Tax-exempt clients: | |
| Total | 26 |
| U.S. subsidiaries | 2 |
| Types of accounts managed | CPU |
| Minimum separate account | $3,750,000 |
| No. of portfolio managers | 6 |

Trafalgar Capital Management, a Canadian firm, is an equity, fixed-income, balanced and real estate manager.

Its equity and fixed-income approaches are passive, adding value over accepted benchmarks through non-expectational (passive) management, using quantitative methods.

In real estate, the firm creates value through development or rehabilitation.

The asset mix Jan. 1 was 33% Canadian stocks, 8% bonds, 24% equity real estate, 19% U.S. stocks and 16% tactical asset allocation.

There was $45 million in equity real estate, $40 million in equity index funds and $60 million in bond index funds.

Tristram S. Lett, president, is chief investment officer and client contact.

## Transamerica Investment Services Inc.

*1150 S. Olive St., Los Angeles, Calif. 90015; (213) 742-3553*

| | |
|---|---|
| Total assets managed | $10,406,000,000 |
| Tax-exempt assets managed | $4,677,000,000 |
| Real estate assets managed | $551,000,000 |
| International assets managed | $100,000,000 |
| Types of accounts managed | C |
| No. of portfolio managers | 12 |
| Size of research staff | 5 |

Transamerica Investment Services Inc. is an equity, fixed-income and GIC

manager.

The asset mix Jan. 1 was 5% stocks, 82% bonds, 1% cash and 12% mortgages; $3.2 million was in equity real estate, $547.6 million was in mortgages, $22.2 million in foreign stocks, $84 million in foreign bonds and $20.3 million in equity index funds.

The parent company is Transamerica Corp. Assets under management by the parent, subsidiaries and affiliates total $10.4 billion.

Gary U. Rolle is executive vice president and chief investment officer. Susan A. Silbert, senior vice president, is client contact.

### Trascott, Alyson, Craig Inc.

*P.O. Box 278, 222 Cedar Lane, Teaneck, N.J. 07666; (201) 836-9000*

| | |
|---|---|
| Total assets managed | $22,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |

Trascott, Alyson, Craig Inc. is an equity, fixed-income and balanced manager.

Its equity approach is contrarian and uses Graham & Dodd analysis. Its fixed-income approach is based on interest rate anticipation, generally maintaining short duration. Options are used.

The asset mix Jan. 1 was 40% stocks, 35% bonds and 25% cash.

It follows 50 stocks closely and 100, generally; 75% of research is generated internally.

Tracy Shagin, vice president, is chief investment officer and client contact.

### Travelers Asset Management International

*122 E. 42nd St., Suite 3506, New York, N.Y. 10017; (212) 867-6233*

| | |
|---|---|
| Total assets managed | $1,092,000,000 |
| Tax-exempt assets managed | $35,000,000 |
| International assets managed | $35,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Travelers Asset Management International Corp. is a fixed-income and international manager.

Its primary strategy is interest rate anticipation, oriented toward intermediate securities in the Eurodollar fixed- and floating-rate markets.

All tax-exempt assets Jan. 1 were in international cash.

One-fourth of the research is generated internally.

The parent company is The Travelers Corp. Assets under management by the parent, subsidiaries and affiliates total $51.899 billion.

The client is American Cyanamid.

Werner R. Genieser, senior vice president, is chief investment officer and client contact.

### The Travelers Cos.

*1 Tower Square, Hartford, Conn. 06183; (203) 277-2150*

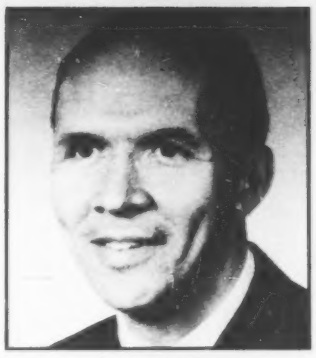
| | |
|---|---|
| Total assets managed | $51,899,000,000 |
| Tax-exempt assets managed: | |
| Total | $22,067,000,000 |
| Pooled accounts | $1,459,000,000 |
| Separate accounts | $1,126,000,000 |
| GICs | $8,556,000,000 |
| Annuities | $3,185,000,000 |
| Other | $7,741,000,000 |
| Real estate assets managed | $470,000,000 |
| International assets managed | $136,000,000 |
| Tax-exempt clients | 1,312 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |

The Travelers Cos. offers equity, fixed-income, balanced, real estate, international, options, futures, direct placements, asset allocation, short-term and timberland management.

Its equity approach seeks to identify fundamental value through a dividend discount model. Sector weightings are developed based on various economic screens.

Its fixed-income approach focuses on interest rate anticipation and return enhancement through quality and sector swaps as well as credit analysis.

Its real estate approach is 100% ownership, all-cash investments, with an emphasis on high cash yielding properties.



*Richard Shima*
*The Travelers Cos.*

The separate accounts asset mix Jan. 1 was 49.7% stocks, 11.4% bonds, 11.8% cash, 14.5% equity real estate, 3.7% mortgages and 8.9% options and futures.

There was $375.2 million in real estate equity, $94.7 million in mortgages, $117.6 million in foreign stocks, $12.8 million in foreign bonds, $5.2 million in foreign cash, $112 million in equity index funds and $9.1 million in dedicated or immunized portfolios.

Options, stock index futures and fixed-income futures are used.

The parent company is Travelers Corp. Total assets under management by the parent company, subsidiaries and affiliates are $52 billion.

Richard Shima, executive vice president, is chief investment officer. Thomas Willison, vice president, is client contact.

### Trendstat Capital Management Inc.

*10733 Sunset Office Dr., Suite 355, St. Louis, Mo. 63127-1072; (314) 822-3500*

| | |
|---|---|
| Total assets managed | $40,000,000 |
| Tax-exempt assets managed | $28,000,000 |
| Tax-exempt clients | 75 |
| Types of accounts managed | C |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Trendstat Capital Management Inc. is an equity, fixed-income, balanced, futures and mutual fund timing manager.

Its equity approach is based on emerging growth and low p/e stocks, using econometric models and reducing risk through using market timing, statistical screens, stop losses and options/futures hedging.

Its fixed-income approach uses econometric models of long-term bonds and interest rates to reduce risk and time the market.

The asset mix Jan. 1 was 68% stocks, 5% bonds, 17% cash and 10% futures and mutual funds.

It follows 100 stocks closely and 5,000, generally; all research is generated internally.

Thomas F. Basso is chief investment officer and client contact.

### Trevor Stewart Burton & Jacobsen Inc.

*90 Park Ave., New York, N.Y. 10016; (212) 972-8150*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $266,000,000 |
| Tax-exempt clients | 36 |
| Types of accounts managed | CEF |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |

Trevor Stewart Burton & Jacobsen Inc. is an equity, fixed-income and balanced manager.

Its equity approach is based on sector rotation and its fixed-income approach on interest rate anticipation.

The asset mix Jan. 1 was 20% stocks, 75% bonds and 5% cash.

It follows 50 stocks closely and 400, generally; 5% of research is generated internally.

Paul W.H. Trevor, chairman, is chief investment officer. Karl E. Schoeller, executive vice president, is client contact.

### Triangle Portfolio Associates

*1 Oxford Center, 301 Grant St., Suite 3310, Pittsburgh, Pa. 15219; (412) 234-1741*

| | |
|---|---|
| Total assets managed | $100,000,000 |
| Tax-exempt assets managed: | |
| Total | $100,000,000 |
| Separate | $100,000,000 |
| Tax-exempt clients: | |
| Separate | 5 |
| Types of accounts managed | C |
| Minimum separate account | $7,500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

Triangle Portfolio Associates is an equity manager.

Its equity approach is active and quantitative, using systematic factor methods. Portfolios are constructed to provide superior performance by maximizing exposure to mispriced segments of the equity market.

The asset mix Jan. 1 was 99% stocks and 1% cash.

The parent company is Mellon Bank Corp. Total assets under management by the parent company, subsidiaries and affiliates are $50.5 billion.

Clients include Mellon Bank.

Aruna S. Ramamurti, president, is chief investment officer and client contact.

### Trident Investment Management Inc.

*888 S. West St., No. 500, Anaheim, Calif. 92802; (714) 999-6811 or (800) 255-2124*

| | |
|---|---|
| Total assets managed | $673,000,000 |
| Tax-exempt assets managed | $650,000,000 |
| Real estate assets managed | $162,000,000 |
| Tax-exempt clients | 20 |
| Types of accounts managed | CFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 3 |

Trident Investment Management, Inc. is an equity, fixed-income, balanced, real estate and venture capital manager.

It equity approach applies a disciplined "value discovery process" to select high-quality stocks with a p/e less than the S&P 400 average. In-house macroeconomic assumptions determine return expectations.

Its fixed-income approach utilizes only high-quality government securities and A– corporates. Active management via interest rate anticipation, yield curve analysis and computer modeling of short-term price movements enhance returns.

In real estate it invests in select, high-quality properties nationwide, whose returns are calculated to provide high current income and capital appreciation.

The asset mix Jan. 1 was 28% stocks, 36% bonds, 11% cash, 20% equity real estate and 5% mortgages.

There was $130 million in equity real estate and $32 million in mortgages.

Options are used.

Pacific Inland Bancorp is the parent company. Total assets under management by the parent, subsidiaries and affiliates are $684 million.

Sidney Hanson, executive vice president, is chief investment officer. Stanley Campbell, national manager-sales, is client contact.

*Stanford Calderwood*
*Trinity Investment*

### Trinity Investment Management Corp.

*10 Tremont St., Boston, Mass. 02108; (617) 742-9525*

| | |
|---|---|
| Total assets managed | $3,428,000,000 |
| Tax-exempt assets managed | $3,393,000,000 |
| 401(k) assets managed | $2,000,000 |
| Tax-exempt clients | 78 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 8 |

Trinity Investment Management Corp. is a quantitative equity manager emphasizing Graham & Dodd analysis, low p/e stocks and sector rotation.

Portfolio buys and sells are selected primarily by a composite ranking that uses eight proven submodels.

The asset mix Jan. 1 was 98.7% stocks and 1.3% cash.

There is one 401(k) client.

Trinity follows 776 stocks closely; all research is generated internally.

Clients include General Foods, Texaco, The Common Fund and the International Ladies Garment Workers Union.

Stanford Calderwood, chairman and chief investment officer, is client contact.

### Trusco Capital Management

*50 Hurt Plaza, Suite 1400, Atlanta, Ga. 30303; (404) 586-6450*

| | |
|---|---|
| Total assets managed | $4,400,000,000 |
| Tax-exempt assets managed | $4,400,000,000 |
| 401(k) assets managed | $250,000,000 |
| Tax-exempt clients | 193 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 6 |

Trusco Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is bottom-up, screening a large universe of stocks for investment attraction based on valuation levels and earnings trends.

Its fixed-income approach relies on active management and adds value by identifying and acting on opportunity and risk. Value is added by yield curve analysis, sector swaps and arbitrage activity.

The asset mix Jan. 1 was 50% stocks, 35% bonds and 15% cash.

There are 20 401(k) clients.

Options are used.

The parent company is Trust Company Bank. Total assets under management by the parent company, subsidiaries and affiliates are $7.7 billion.

Clients include Southern Systems,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Lawrence J. Trotti, president, is chief investment officer. William J. Hearn, executive vice president, and Bob M. Farmer, vice president, are client contacts.

### Trust Company of the West

*400 S. Hope St., Los Angeles, Calif. 90071; (213) 683-4000*

| | |
|---|---|
| Total assets managed | $10,735,000,000 |
| Tax-exempt assets managed: | |
| Total | $10,173,000,000 |
| Commingled | $2,634,000,000 |
| Separate | $7,539,000,000 |
| Real estate assets managed | $1,098,000,000 |
| Tax-exempt clients | 174 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 17 |
| Size of research staff | 9 |

Trust Company of the West offers equity, fixed-income, balanced, real estate, global, oil and gas, private placements, convertible and high-yield bond management.

Its equity approach employs sector rotation, using top-down analysis with the goal of identifying changes before they are generally perceived and shifting between asset categories and industries to take advantage of change.

Its fixed-income approach uses interest rate anticipation and is top-down with a goal to catch cyclical shifts in interest rates.

Its real estate equity investments are in existing properties, forward commitments and convertible mortgages in office, industrial and shopping centers in 44 major metropolitan areas.

The asset mix Jan. 1 was 62% stocks, 21% bonds, 1% cash, 11% equity real estate and 5% oil and gas and private placements.

There was $1.09 billion in equity real estate. Options are used.

Ernest O. Ellison, president, is chief investment officer. Thomas E. Larkin Jr., managing director, is client contact.

### TSA Capital Management

*700 Wilshire Blvd., Los Angeles, Calif. 90017; (213) 614-7225*

| | |
|---|---|
| Total assets managed | $1,013,000,000 |
| Tax-exempt assets managed | $1,013,000,000 |
| Tax-exempt clients | 16 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

TSA Capital Management is an equity, fixed-income and balanced manager.

Its equity approach is disciplined and pragmatic. A number of proprietary quantitative disciplines are used for security valuation and for measurement of risk levels.

Its fixed-income approach uses sector analysis, exploiting market opportunities through an on-going analysis of maturity structure, sector spreads and quality spreads.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

Options, stock index futures and fixed-income futures are used.

It follows 800 stocks closely and 1,400, generally.

The parent company is TSA (Trust Services of America). Total asset under management by the parent company, subsidiaries and affiliates are $4.4 billion.

Roger G. Clarke, managing director, is chief investment officer. Richard Boling, managing director, is client contact.

## U

### Unified Management Corp.

*600 Guaranty Building, 20 N. Meridian, Indianapolis, Ind. 46204; (800) 862-7283*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $10,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CE |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 4 |

Unified Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth and low p/e stocks. Its fixed-income approach is based on interest rate anticipation. Options are used.

The asset mix Jan. 1 was 80% stocks, 10% bonds and 10% cash.

Unified follows 200 stocks closely and 4,000, generally; 75% of research is generated internally.

Nicholas F. Kaiser is chief investment officer. Ronald L. Keller is client contact.

### Union Labor Life Insurance

*111 Massachusetts Ave. N.W., Washington, D.C. 20001; (202) 682-0900*

| | |
|---|---|
| Total assets managed | $1,633,000,000 |
| Tax-exempt assets managed | |
| Total | $1,329,000,000 |
| Pooled accounts | $452,000,000 |
| GICs | $393,000,000 |
| Annuities/other | $484,000,000 |
| Real estate assets managed | $263,000,000 |
| Mortgage-backed assets managed | $47,000,000 |
| Tax-exempt clients | 460 |
| Types of accounts managed | CJG |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 7 |

Union Labor Life Insurance Co. is an equity, fixed-income and GIC manager.

Its equity approach uses Graham & Dodd analysis to identify low-beta, out-of-favor and special situation stocks.

It is a contrarian, value-oriented and total return manager; risk is controlled to provide investment returns substantially independent of overall market conditions.

Its fixed-income approach uses interest rate anticipation on 25% of assets. The remainder is actively managed by swapping between intermediate and longer maturities as market opportunities arise.

Its real estate Separate Account J invests in long-term first mortgages. About 23% of the portfolio has some form of participation in rent in addition to the coupon rate of interest.

The separate account asset mix Jan. 1 was 18% stocks, 1% bonds, 7% cash, 58% mortgages, 11% mortgage-backed securities and 5% other.

Herbert Canapary, vice president, is the chief investment officer. John Stephan and Robert C. Cassin, directors-group pension sales, are the client contacts.

### Union Trust Services

*P.O. Box 1541, Little Rock, Ark. 72203; (501) 378-4225*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed: | |
| Total | $95,000,000 |
| Commingled | $5,000,000 |
| Separate | $90,000,000 |
| International assets managed | $5,000,000 |
| Tax-exempt clients: | |
| Commingled | 20 |
| Separate | 40 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Union Trust Services is an equity, fixed-income and balanced manager.

Its equity approach emphasizes above-average earnings growth and high earnings visibility with a relative p/e of 0.8 or less. Its fixed-income approach is passive. Options are used.

The asset mix Jan. 1 was 60% stocks, 35% bonds and 5% cash; $5 million was in foreign stocks and $5 million in equity index funds.

Thomas B. Welch III is chief investment officer. Ernie Farquharson is client contact.

### United Bank

*101 Pearl St., Hartford, Conn. 06103; (203) 241-2424*

| | |
|---|---|
| Total assets managed | $950,000,000 |
| Tax-exempt assets managed: | |
| Total | $200,000,000 |
| Commingled | $50,000,000 |
| Separate | $150,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 6 |

United Bank is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis. Its fixed-income approach is driven by interest rate anticipation.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

The bank follows 120 stocks closely and 100, generally.

The parent company is Fleet Financial Corp. Assets under management by the parent, subsidiaries and affiliates total $6 billion.

William V. Crosswaite, vice president, is chief investment officer. Thomas J. Henry Jr., vice president, is client contact.

### United Capital Management

*United Bank Center, 1700 Broadway, Suite 1300, Denver, Colo. 80274; (303) 831-9474*

| | |
|---|---|
| Total assets managed | $2,514,000,000 |
| Tax-exempt assets managed | $2,345,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CFJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

United Capital Management is an equity, fixed-income and balanced manager.

Its equity approach is to buy depressed, out-of-favor stocks with major rebound potential within a three-year period. A strict sell discipline is integral to the process.

*W. Lon Schreur*

Its fixed-income approach uses a business cycle analysis to evaluate the direction of interest rates. Portfolio structure is determined by spread analysis.

It follows 80 stocks closely and 130, generally; all research is internally generated.

Clients include Washington state, General Public Utilities, Greyhound and AT&T.

W. Lon Schreur, president, is chief investment officer. Denise Bryant, vice president, is client contact.

### United Missouri Investment Counsel Service

*P.O. Box 226, Kansas City, Mo. 64141; (816) 556-7340*

| | |
|---|---|
| Total assets managed | $3,000,000,000 |
| Tax-exempt assets managed | $2,000,000,000 |
| Tax-exempt clients | 450 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 11 |
| Size of research staff | 5 |

United Missouri Investment Counsel Service is an equity, fixed-income and balanced manager.

Its equity approach focuses on investment in undervalued companies with strong balance sheet characteristics whose outlooks call for above-average unit growth with a product line that offers pricing flexibility.

Its fixed-income approach emphasizes maturity shifts based on the interest rate outlook. Key forecasting tools are related to manufacturing operating rates.

The asset mix Jan. 1 was 50% stocks, 40% bonds and 10% cash.

It follows 150 stocks closely and 200, generally.

Its parent company is United Missouri Bank.

Stuart L. Murdock, executive vice president and senior investment officer, is chief investment officer. David B. Anderson, senior vice president and investment officer, is client contact.

### United of Omaha Life Insurance Co.

*Mutual of Omaha Plaza, Omaha, Neb. 68135; (402) 342-7600*

| | |
|---|---|
| Total assets managed | $3,030,000,000 |
| Tax-exempt assets managed | |
| Total | $1,180,000,000 |
| Pooled accounts | $5,000,000 |
| GICs | $180,000,000 |
| Annuities | $204,000,000 |
| Other | $791,000,000 |
| 401(k) and 457 assets managed | $10,000,000 |
| Tax-exempt clients | 30 |
| Types of accounts managed | CG |
| Minimum separate account | $10,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 10 |

United of Omaha Life Insurance Co. is an equity, fixed-income and GIC manager.

Its equity approach focuses on investment in established companies with strong earnings growth records.

Its fixed-income approach controls interest rate risk through duration matching and credit risk through extensive credit analysis.

All separate accounts assets were in stocks as of Jan. 1.

It follows 20 stocks generally; all research is generated internally.

The parent company is Mutual of Omaha. Assets under management by the parent, subsidiaries and affiliates total $6 billion.

Thomas M. Crummer, senior executive vice president, is chief investment officer. Walter C. Mailand, second vice president-group pension sales, is client contact.

### United States National Bank of Galveston

*P.O.Box 179, 2201 Market St., Galveston, Texas 77553; (409) 763-1151*

| | |
|---|---|
| Total assets managed | $400,000,000 |
| Tax-exempt assets managed: | |
| Total | $200,000,000 |
| Commingled | $60,000,000 |
| Separate | $140,000,000 |
| 401(k) and 457 assets managed | $2,000,000 |
| Tax-exempt clients: | |
| Commingled | 250 |
| Separate | 90 |
| Types of accounts managed | CEF |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |

United States National Bank of Galveston is an equity, fixed-income and balanced manager.

Its equity approach uses low p/e stocks. As a long-term investor, it is value-oriented. It seeks issues that provide considerable downside protection by providing comparatively high-dividend yields and low p/e multiples. It purchases out-of-favor companies.

Its fixed-income approach uses interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 65% stocks, 5% bonds and 30% cash.

There are two 401(k) and 457 clients. Options are used.

The parent company is Cullen/Frost Bankers Inc. Total assets under management by the parent company, subsidiaries and affiliates is $1.2 billion.

Linford O. Kauffman, executive vice president and executive trust officer, is chief investment officer. Freddie B. Meier, senior vice president and trust officer, is client contact.

### United States National Bank in Johnstown

*Main & Franklin Streets, Johnstown, Pa. 15901; (814) 533-5397*

| | |
|---|---|
| Total assets managed | $161,000,000 |
| Tax-exempt assets managed | |
| Total | $111,000,000 |
| Commingled | $1,000,000 |
| Separate | $110,000,000 |
| Real estate assets managed | $2,000,000 |
| Mortgage-backed assets managed | $10,000,000 |
| Tax-exempt clients | |
| Commingled | 40 |
| Separate | 135 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 2 |

United States National Bank in Johnstown is an equity, fixed-income and balanced manager.

Its equity approach uses a bottom-up method emphasizing individual stock selection based upon a fundamental value orientation. Its fixed-income approach emphasizes laddering maturities within sector diversification. Options are used.

The asset mix Jan. 1 was 31% stocks, 48% bonds, 12.7% cash, 1.5% mortgages and 6.8% miscellaneous.

Parent company is USBANCORP Inc. Assets under management by the parent, subsidiaries and affiliates total $960.4 million.

Judith A. Nyssen, vice president, is chief investment officer. John H. McGrail, senior vice president, is client contact.

### United States Annuities

*47 Brunswick Woods Drive, East Brunswick, N.J. 08816; (201) 613-0700*

| | |
|---|---|
| Total assets managed | $150,000,000 |
| Tax-exempt assets managed | $150,000,000 |
| 401(k) assets managed | $120,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CEF |

**Knight, Bain, Seath & Holbrook Capital Management Inc.**

**Toronto, Canada**

is pleased to announce the formation of its United States Affiliate

**Knight, Bain, Seath, Holbrook & Partners, Inc.**

Investment Management for
Retirement, Foundation and Endowment Funds

**Andrew D. Parrillo**
*Prinicpal & Managing Director*

**10 Liberty Square, Boston, Massachusetts 02109**
**(617) 423-1100**

| | |
|---|---|
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 2 |

United States Annuities is a manager of guaranteed investment contracts, with all assets invested in GICs as of Jan. 1.

It had 10 401(k) plan clients.

Hersh Stern is chief investment officer and client contact.

### United States Trust Co.

*45 Wall St., New York, N.Y. 10005; (212) 806-4500*

| | |
|---|---|
| Total assets managed | $13,561,000,000 |
| Tax-exempt assets managed | |
| Total | $2,100,000,000 |
| Commingled | $756,000,000 |
| Separate | $1,344,000,000 |
| Real estate assets managed | $28,000,000 |
| International assets managed | $27,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 46 |
| Size of research staff | 9 |

United States Trust Co. is an equity, fixed-income, balanced, real estate and international manager.

Its equity approach is to buy and hold assets that have demonstrated value in terms of underlying resources and assets or earnings potential, and are favorably priced.

Economic analysis, both domestic and international, is the most critical factor in its fixed-income approach. Yield curve analysis plays a vital role in selection and maturity. Credit analysis and changing yield spread relationships affect quality and sector distribution decisions.

Options are used.

Its real estate approach consists of buying predevelopment land for cash. The holding period averages five years.

The asset mix Jan. 1 was 37% stocks, 61% bonds, 1% cash and 1% equity real estate; there was $25 million in real estate equity, $3 million in mortgages, $26.6 million in foreign stocks and $250 million in dedicated or immunized portfolios.

The parent company is U.S. Trust Corp. of New York. Total assets under management by the parent, subsidiaries and affiliates is $13.561 billion.

Frederick B. Taylor, chairman-investment policy, is chief investment officer. Angelina M. Painter, vice president, is client contact.

### United States Trust Co. (Boston)

*30 Court St., Boston, Mass. 02108; (617) 726-7250*

| | |
|---|---|
| Total assets managed | $800,000,000 |
| Tax-exempt assets managed | |
| Total | $533,000,000 |
| Commingled | $158,000,000 |
| Separate | $375,000,000 |
| Tax-exempt clients | |
| Commingled | 90 |
| Separate | 87 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 9 |

United States Trust Co. (Boston) is an equity, fixed-income and balanced manager. It also manages socially screened portfolios.

Its equity philosophy combines a top-down approach to sector allocation and a value-oriented approach to individual stock selection. Market timing is used.

Its fixed-income approach is driven by interest rate anticipation based on 12-month economic scenario forecasts. Yield spreads are evaluated on issue quality and risk and liquidity differentials.

The asset mix Jan. 1 was 75% stocks, 20% bonds and 5% cash.

The parent company is UST Corp. Total assets under management by the parent company, subsidiaries and affiliates are $1.05 billion.

Domenic Colasacco is chief investment officer. Robert Lincoln is client contact.

### United Trust Fund

*4770 Biscayne Blvd., Miami, Fla. 33137; (305) 576-7711*

| | |
|---|---|
| Total assets managed | $180,000,000 |
| Tax-exempt assets managed | $0 |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

United Trust Fund is a fixed-income and real estate manager.

Its fixed-income approach is passive, taking long-term, fixed-rate securities or other credit instruments and making continuous investment without regard to market timing in a flat rate interest market, and in an escalating market, go short and roll.

Its real estate approach is guaranteed return through credit leases.

James Nolan is chief investment officer and client contact.

### Unity Management Inc.

*2001 Marcus Ave., Lake Success, N.Y. 11042; (516) 437-2200*

| | |
|---|---|
| Total assets managed | $550,000,000 |
| Tax-exempt assets managed | $550,000,000 |
| Mortgage-backed assets managed | $36,000,000 |
| Tax-exempt clients | 65 |
| Types of accounts managed | CJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

Unity Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach combines growth stock, low p/e stock and market timing. In-house computer systems and traditional research sources are used for fundamental and technical analysis.

Its fixed-income approach is established through conventional and computer-generated interest rate forecasts. Bond swapping and immunization programs are used for restructuring asset allocations.

The asset mix Jan. 1 was 30% stocks, 60% bonds and 10% cash; $36 million in mortgage-backed securities is included in the bond allocation.

It follows 150 stocks closely and 1,000, generally; 75% of research is generated internally.

Irving Decter is chief investment officer and client contact.

### UNUM Life Insurance

*2211 Congress St., Portland, Maine 04122; (207) 780-6399*

| | |
|---|---|
| Total assets managed | $6,951,000,000 |
| Tax-exempt assets managed | |
| Total | $3,440,000,000 |
| Separate accounts | $45,000,000 |
| GICs | $1,076,000,000 |
| Annuities | $64,000,000 |
| Other | $2,255,000,000 |
| 401(k) and 457 assets managed | $70,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | CEFJG |
| No. of portfolio managers | 4 |
| Size of research staff | 20 |

UNUM Life Insurance is an equity, fixed-income, balanced, real estate, international and GIC manager.

Its equity approach has emphasis on market timing within an emerging growth/growth stock strategy for its separate accounts.

Its fixed-income approach focuses on sector analysis and is oriented toward private placements and commercial mortgages.

The separate accounts asset mix Jan. 1 was 89% stocks and 11% cash.

Fixed-income futures are used.

Peter Moynihan and Jack Hastings are chief investment officers and client contacts.

## V

### Valley National Bank of Arizona

*P.O. Box 71, Phoenix, Ariz. 85001; (602) 261-1545*

| | |
|---|---|
| Total assets managed | $2,264,000,000 |
| Tax-exempt assets managed | |
| Total | $563,000,000 |
| Separate | $563,000,000 |
| 401(k) and 457 assets managed | $141,000,000 |
| Real estate assets managed | $242,000,000 |
| Tax-exempt clients | |
| Separate | 301 |
| Types of accounts managed | CJG |
| No. of portfolio managers | 15 |
| Size of research staff | 3 |

Valley National Bank of Arizona is an equity, fixed-income, balanced and real estate manager.

Its equity approach is toward growth companies positioned to benefit from long-term trends. In-house researchers analyze company fundamentals using systematic relative valuation methods.

Its fixed-income approach uses interest rate anticipation as the primary determinant; sector selection adds incremental return.

Its real estate approach concentrates on Arizona-based commercial mortgages with interest rate and call provisions and offers an open-end equity real estate fund.

The asset mix Jan. 1 was 20% stocks, 20% bonds, 17% cash and 43% mortgages.

There is $242 million in mortgages. There are 29 401(k)/457 clients. Options are used.

The parent company is Valley National Corp. Total assets managed by the parent company, subsidiaries and affiliates are $10.715 billion.

Lyle D. Wurtz, vice president and manager-trust investments, is chief investment officer. Paul Knowles, vice president and manager-trust employee benefits, is client contact.

### Value Investors Inc.

*601 Locust, Suite 1150, Des Moines, Iowa 50309; (515) 247-6582*

| | |
|---|---|
| Total assets managed | $2,800,000,000 |
| Tax-exempt assets managed | $1,900,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | CFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 6 |

Value Investors Inc., an equity manager, develops investment themes and then selects stocks based on their forecasted long-term future cash flows. Sector rotation is used.

The asset mix Jan. 1 was 100% stocks.

The firm generates 95% of its research internally.

The parent firm is Principal Financial Group Inc. Assets under management by the parent, subsidiaries and affiliates total $15 billion.

Clients include Nebraska, U.S. Olympic Foundation and Iowa Public Employees.

S. Ralph Kosmicke, president, is chief investment officer. Kenneth E. Fridrich, vice president and director-client services, is client contact.

### Value Line Asset Management

*711 Third Ave., New York, N.Y. 10017; (212) 687-3965*

| | |
|---|---|
| Total assets managed | $1,500,000,000 |
| Tax-exempt assets managed | $1,325,000,000 |
| Tax-exempt clients | 31 |
| Types of accounts managed | CEFG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Value Line Asset Management is an equity and balanced manager.

Its equity approach uses a quantitative discipline based on the firm's ranking system to identify stocks with above-average earnings growth and attractive valuations relative to the market and each stock's own history. Sector rotation is employed.

The asset mix Jan. 1 was 75% stocks, 2% bonds and 23% cash.

The firm follows 1,700 stocks closely and 3,000, generally; 95% of research is generated internally.

The parent company is Value Line Inc. Assets under management by the parent, subsidiaries and affiliates total $3.61 billion.

Clients include Eastman Kodak, GM, Singer and Ohio Police & Firemen.

Mark Tavel, president, is chief investment officer. Victor Ugolyn, director of marketing, is client contact.

### Vanbrit Investment Management

*1100 Melville St., Suite 620, Vancouver, British Columbia V6E 4A6; (604) 687-1393*

| | |
|---|---|
| Total assets managed | $55,000,000 |
| Tax-exempt assets managed | |
| Total | $54,000,000 |
| For subsidiaries of U.S. firms | $0 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 3 |

Vanbrit Investment Management, a Canadian firm, is an equity, fixed-income and balanced manager.

Its equity approach emphasizes growth stock and its fixed-income approach, interest rate anticipation.

The asset mix Jan. 1 was 37% Canadian stocks, 40% bonds, 13% cash, 2% equity real estate, 5% U.S. stocks and 3% international equities.

It follows 100 stocks closely and 200, generally.

The parent company is Asset Management International Inc. Assets under management by the parent, subsidiaries and affiliates total $4.2 billion.

Larry Avant, president, is chief investment officer and client contact.

### Van Deventer & Hoch

*420 N. Brand Blvd., Glendale, Calif. 91203; (818) 247-5330*

| | |
|---|---|
| Total assets managed | $1,080,000,000 |
| Tax-exempt assets managed | $430,000,000 |
| Tax-exempt clients | 410 |
| Types of accounts managed | CEFG |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 18 |
| Size of research staff | 7 |

Van Deventer & Hoch is a balanced manager.

Its equity approach is value-oriented, investing in soundly managed businesses when available at a discount to true asset value.

Its fixed-income approach is passive. High-grade securities maturing in seven years or less are used for defensive purposes.

The asset mix Jan. 1 was 55% stocks, 25% bonds and 20% cash.

Its parent company is Chemical New York Corp. Total assets under management by the parent company, subsidiaries and affiliates are $16 billion.

Richard D. Trautwein, executive vice president, is chief investment officer. Richard A. Snyders, president, is client contact.

### Van Eck Associates Corp.

*122 E. 42nd St., New York, N.Y. 10168; (212) 687-5200*

| | |
|---|---|
| Total assets managed | $1,000,000,000 |
| Tax-exempt assets managed | $40,000,000 |
| International assets managed | $38,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $0 |
| No. of portfolio managers | 4 |
| Size of research staff | 5 |

Van Eck Associates Corp. is an equity, fixed-income, balanced, international and gold manager.

Its equity approach emphasizes growth stock with gold investments used for prudent diversification and as a hedge against inflation. It follows long and intermediate global investment trends in stocks and bonds with appropriate hedging strategy.

Its fixed-income approach utilizes interest rate anticipation and currency trends to judge the investment climate.

The asset mix Jan. 1 was 95% stocks and 5% cash.

Options, stock index futures and fixed-income futures are used.

Van Eck Management Corp. is the parent company. Total assets managed by the parent company, subsidiaries and affiliates are $1.2 billion.

Klaus Buescher, president, is chief investment officer. David Kenerson is client contact.

### The Vanguard Group of Investment Cos.

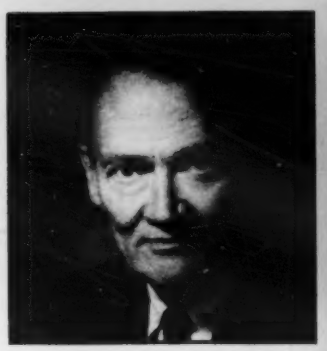
*Vanguard Financial Center, Valley Forge, Pa. 19482; (215) 648-6000*

| | |
|---|---|
| Total assets managed | $25,000,000,000 |
| Tax-exempt assets managed | $1,000,000,000 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |

The Vanguard Group of Investment Cos. is an equity, fixed-income, balanced, real estate, international and GIC manager.

Vanguard has $8 billion under management; $1.2 billion is managed internally and $6.8 billion is managed by external investment firms.

Vanguard's equity approach varies with a fund's investment objective. The approaches offered are passive, quantitative, growth, emerging growth and



*John C. Bogle*

low p/e stocks. Graham & Dodd analysis is used.

The fixed-income strategy also varies by fund. Those used are passive or sector analysis.

Its real estate approach is to invest primarily in existing, income-producing commercial properties.

Clients include Schering-Plough, RJR Nabisco, Campbell Soup and University of Chicago.

John C. Bogle, chairman and chief executive officer, is chief investment officer. Ronald L. Cannon, vice president, is client contact.

### Vaughan, Nelson, Scarborough & McConnell

*6300 Texas Commerce Tower, Houston, Texas 77002; (713) 224-2545*

| | |
|---|---|
| Total assets managed | $2,025,000,000 |
| Tax-exempt assets managed | $1,815,000,000 |
| Tax-exempt clients | 52 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $2,500,000 |
| No. of portfolio managers | 6 |

Vaughan, Nelson, Scarborough & McConnell Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes a "middle 60%" strategy to downside protection and stable growth using individual issue selection through original primary research, active asset allocation and proprietary valuation analysis.

Its fixed-income approach is driven by interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 55% stocks, 30% bonds and 15% cash.

It follows 50 stocks closely and 200, generally; 75% of research is generated internally.

Clients include Browning Ferris Industries, Daniel Industries, Texas A&M Foundation and Wortham Foundation.

Eugene H. Vaughan Jr., president, is chief investment officer. John E. Young, principal, is client contact.

### Verus Capital

*45 Broadway, New York, N.Y. 10006; (212) 943-9200*

| | |
|---|---|
| Total assets managed | $319,000,000 |
| Tax-exempt assets managed | $319,000,000 |
| International assets managed | $57,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |

Verus Capital, an equity manager, looks for 20 to 30 special situations in the United States or abroad with unique fundamentals and attractive risk/reward valuation.

The asset mix Jan. 1 was 92% stocks and 8% cash; $57 million was in foreign stocks.

Verus follows 75 stocks closely and 500, generally; 60% of research is internally generated.

The parent company is Arnhold & S. Bleichroeder Inc. Assets under management by the parent, subsidiaries and affiliates total $1.1 billion.

Clients include Allied-Signal, IT&T,

In *Pensions & Investment Age*'s annual survey of investment advisory firms, "tax-exempt assets" refers to U.S. institutional tax-exempt assets only and does not include individuals, IRAs or Keogh plans.

BASF and Pfizer.

Charles C. Reilly, president, is chief investment officer. Frederic C. Reynolds, vice president, is client contact.

### Virginia Investment Counselors Inc.

*1300 United Virginia Bank Building, Norfolk, Va. 23510; (804) 623-2491*

| | |
|---|---|
| Total assets managed | $350,000,000 |
| Tax-exempt assets managed | $170,000,000 |
| 401(k) assets managed | $3,000,000 |
| Real estate assets managed | $5,000,000 |
| Mortgage-backed assets managed | $3,000,000 |
| Tax-exempt clients | 100 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 2 |

Virginia Investment Counselors Inc. is an equity, fixed-income and balanced manager.

Its equity approach seeks low p/e stocks through sector rotation and market timing under Graham & Dodd principles.

Its fixed-income approach combines interest rate anticipation and sector analysis.

The asset mix Jan. 1 was 33% stocks, 48% bonds, 14% cash, 2% equity real estate, 1% mortgages and 2% mortgage-backed securities.

Options are used.

Frederick V. Martin, president, is chief investment officer. Henry U. Harris III, vice president, is client contact.

## W

### Waddell & Reed Asset Management Co.

*2400 Pershing Road, Kansas City, Mo. 64108; (816) 283-4150*

| | |
|---|---|
| Total assets managed | $1,546,000,000 |
| Tax-exempt assets managed | $864,000,000 |
| Tax-exempt clients | 39 |
| Types of accounts managed | CEFG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 14 |
| Size of research staff | 18 |

Waddell & Reed Asset Management Co. is an equity, fixed-income, balanced, international and GIC manager.

Its equity approach uses market timing that is oriented to major market cycle changes. The degree of market participation is based on an analysis of price vs. intrinsic value relationships and the business cycle.

Its fixed-income approach uses interest rate anticipation to actively manage portfolios. Its primary bond technique is to alter duration based on the outlook for interest rates within a duration range of one to 6.5 years.

Options and fixed-income futures are used.

The asset mix Jan. 1 was 47% stocks, 37% bonds and 16% cash.

The firm is a wholly owned subsidiary of Waddell & Reed Investment Management Co., which is owned by Torchmark Corp. Assets under management by the parent, subsidiaries and affiliates total $7.04 billion.

Herbert P. Evert is chief investment officer. Robert T. Hunter, senior vice president, is client contact.

### Maury Wade & Co.

*5100 Poplar Ave., Suite 2224, Memphis, Tenn. 38137; (901) 682-4613*

| | |
|---|---|
| Total assets managed | $52,000,000 |
| Tax-exempt assets managed | $18,000,000 |
| Tax-exempt clients | 90 |
| Types of accounts managed | CEF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |

Maury Wade & Co. is an equity, fixed-income and balanced manager.

Its equity approach uses Graham & Dodd analysis and market timing in pursuit of growth stocks.

Its fixed-income approach is passive.

Fifty stocks are followed closely and 200, generally.

Maury Wade is chief investment officer and client contact.

### Wagstaff, Lodefink & Associates

*136 E. South Temple, Suite 1740, Salt Lake City, Utah 84111; (801) 532-2777*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $12,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFG |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 2 |

Wagstaff, Lodefink & Associates is an equity, fixed-income and balanced manager.

The firm takes a bottom-up, value-oriented, growth-stock approach to equities that stresses a total return concept. It uses low p/e, yield and risk-adjusted total rate of return screens.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 80% stocks, 15% bonds and 5% cash.

We are pleased to announce that
John McMahan Associates, Inc.
has become
**McMahan Financial Services, Inc.**
and its wholly owned subsidiary
JMA Fund Advisors, Inc.
has become
**McMahan Real Estate Advisors, Inc.**

201
California Street
Suite 400
San Francisco, CA 94111
(415) 433-7770

McMAHAN

It follows 50 to 100 stocks closely; all research is generated internally.

David L. Lodefink, partner, is chief investment officer. David J. Wagstaff, partner, is client contact.

### Waite & Correnti

*510 W. Sixth St., Suite 1020, Los Angeles, Calif. 90014; (213) 623-5277*

| | |
|---|---|
| Total assets managed | $495,000,000 |
| Tax-exempt assets managed | $495,000,000 |
| Tax-exempt clients | 7 |
| Types of accounts managed | C |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

Waite & Correnti is an equity manager that concentrates on stocks with earnings growth rates and profitability ratios that are above average, yet sell at below-average p/e ratios.

The asset mix Jan. 1 was 89% stocks and 11% cash.

It follows 100 stocks closely and 350, generally; 20% of research is generated internally.

Clients include Rockwell, Boeing, Xerox and National Rural Electric Cooperative Association.

Leslie A. Waite is chief investment officer. A.R. Correnti, president, is client contact.

### Wakley & Roberton Inc.

*W. 601 First Ave., Suite 500, Spokane, Wash. 99204; (509) 838-3538*

| | |
|---|---|
| Total assets managed | $107,000,000 |
| Tax-exempt assets managed | $76,000,000 |
| Tax-exempt clients | 38 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Wakley & Roberton Inc. is an equity, fixed-income and balanced manager.

Its equity approach takes a top-down fundamentalist view using sector rotation with some market-timing inputs.

Its fixed-income approach relies on interest rate anticipation and sector analysis.

Options are used minimally.

The asset mix Jan. 1 was 45% stocks, 40% bonds and 15% cash.

It follows 75 stocks closely and 150, generally; 10% to 15% of research is generated internally.

Neil F. Wakley, president, is chief investment officer. Paul W. Mann, vice president, is client contact.

### Wall, Patterson, Hamilton & Allen Inc.

*229 Peachtree St. N.E., Atlanta, Ga. 30043; (404) 659-6060*

| | |
|---|---|
| Total assets managed | $1,028,000,000 |
| Tax-exempt assets managed | $958,000,000 |
| Tax-exempt clients | 114 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 2 |

Wall, Patterson, Hamilton & Allen Inc. is an equity, fixed-income and balanced manager.

Its equity approach is based on selecting superior growth companies from a pre-screened universe based on earnings and valuation criteria.

Its fixed-income approach is based upon yield curve analysis with bond portfolios structured solely with securities of the U.S. Treasury and federal agencies.

The asset mix Jan. 1 was 60.9% stocks, 30% bonds and 9.1% cash.

It follows 200 stocks closely; 95% of research is generated internally.

The parent company is United Asset Management. Total assets under management by the parent company, subsidiaries and affiliates are $17.824 billion.

Clients include Peoples Energy, BASF, Memphis and Michigan Carpenters.

James O. Patterson is chief investment officer. William M. Robertson, vice president, is client contact.

### Warburg Investment Management International

*500 Park Ave.; Sixth Floor, New York, N.Y. 10022; (212) 415-1925*

| | |
|---|---|
| Total assets managed | $1,065,000,000 |
| Tax-exempt assets managed | $887,000,000 |
| International assets managed | $778,000,000 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 6 |

Warburg Investment Management International Ltd. is an equity, fixed-income and international manager.

Its equity approach uses quantitative analysis and looks for low p/e and growth stocks in a combined top-down and bottom-up approach.

Its fixed-income approach is based on interest rate anticipation.

The asset mix Jan. 1 was 88% stocks, 6% bonds and 6% cash.

There was $680 million in foreign stocks, $45 million in foreign bonds and $53 million in foreign cash.

The parent company is Mercury Asset Management. Total assets under management by the parent company, subsidiaries and affiliates are $26 billion.

Clients include Atlantic Richfield, Dun & Bradstreet, Arizona and City and County of San Francisco.

Robert Michaelson is chief investment officer. John Townsend is client contact.

### Warburg, Pincus Counsellors Inc.

*466 Lexington Ave., New York, N.Y. 10017; (212) 878-9218*

| | |
|---|---|
| Total assets managed | $3,307,000,000 |
| Tax-exempt assets managed | $1,122,000,000 |
| Tax-exempt clients | 67 |
| Types of accounts managed | CEF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 8 |
| Size of research staff | 7 |

Warburg, Pincus Counsellors Inc. is an equity and balanced manager.

Its equity approach seeks growth and emerging growth stocks. Stock selection is based on in-house research; it focuses on financially strong, moderate-size companies with superior earnings prospects.

Its fixed-income approach implements interest rate anticipation strategies, focusing on intermediate maturity securities.

The asset mix Jan. 1 was 62% stocks, 18% bonds and 20% cash.

It follows 225 stocks closely and 300, generally; 80% of the research is generated internally.

The parent company is E.M. Warburg, Pincus & Co.

Clients include Gates Rubber, Long Island Railroad, RJR Nabisco and Rockefeller Foundation.

John L. Furth, president, is chief investment officer. Richard H. Klemm, senior vice president, is client contact.

### Wardley Investment Services International

*5 E. 59th St., New York, N.Y. 10022; (212) 415-0660*

| | |
|---|---|
| Total assets managed | $568,000,000 |
| Tax-exempt assets managed | $25,000,000 |
| International assets managed | $25,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |

Wardley Investment Services International is an international manager.

Its equity approach uses Graham & Dodd analysis and market timing. It is a top-down fundamentalist. Weightings are based on projected accelerating economic growth in the country; selection, on relative accelerating earnings growth potential.

Its fixed-income approach uses interest rate anticipation.

The asset mix Jan. 1 was 92% stocks and 8% cash.

There was $23.4 million in foreign stocks and $1.9 million in foreign cash.

Wardley Investment Services Ltd. is the parent company. Total assets under management by the parent, subsidiaries and affiliates is $5 billion.

Thomas A. Veitch, managing director, is chief investment officer. Deborah G. George, executive vice president, is client contact.

### Ward & Wissner Capital Management Inc.

*99 Park Ave., New York, N.Y. 10016; (212) 557-2077*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $500,000,000 |
| Mortgage-backed assets managed | $150,000,000 |
| Tax-exempt clients | 10 |
| Types of accounts managed | CF |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Ward & Wissner Capital Management Inc. is a fixed-income manager that structures bond portfolios to achieve targeted plan objectives, either nominal or real rates of return and/or minimum return in the appreciation potential.

The asset mix Jan. 1 was 45% bonds, 25% cash, 20% mortgage-backed securities and 10% options and futures.

Bond options and fixed-income futures are used.

Clients include Stone & Webster, Gates, Centel and Noyes Foundation.

James S. Ward, president, and Leonard H. Wissner, chairman, are chief investment officers. Mr. Ward is client contact.

### David E. Ware & Associates

*1815 Hicks Road, Suite C, Rolling Meadows, Ill. 60008; (312) 991-4440*

| | |
|---|---|
| Total assets managed | $15,000,000 |
| Tax-exempt assets managed | $8,000,000 |
| Tax-exempt clients | 21 |
| Types of accounts managed | CE |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 1 |

David E. Ware & Associates Inc. is an equity and balanced manager.

Its equity approach is to invest in companies with sound balance sheets and low p/e ratios. Different industry groups are accumulated or avoided as macroeconomic conditions change.

Its fixed-income approach uses interest rate anticipation. It invests in long-term government securities when the U.S. economy is experiencing slow or negative growth. Short-term governments are used defensively.

The asset mix Jan. 1 was 50% stocks, 30% bonds and 20% cash.

David E. Ware, president, is chief investment officer and client contact.

### Waycross Investment Management Co. Inc.

*1300 Market St., Suite 401, P.O. Box 1045, Wilmington, Del. 19899; (302) 656-2009*

| | |
|---|---|
| Total assets managed | $21,000,000 |
| Tax-exempt assets managed | $15,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 3 |

Waycross Investment Management Co. Inc. is an equity and balanced manager.

Its equity approach uses a structured screening process for medium- and small-cap NYSE-listed equities based on a proprietary earnings momentum-relative p/e model.

Its fixed-income approach is passive. It invests in high-quality bonds with maturities of seven years or less.

The asset mix Jan. 1 was 47% stocks, 47% bonds and 6% cash.

William M. Ryan is chief investment officer. Michael F. Ryan is client contact.

### Webster Capital Management

*20 Exchange Place, New York, N.Y. 10005; (212) 510-5352*

| | |
|---|---|
| Total assets managed | $342,000,000 |
| Tax-exempt assets managed | $283,000,000 |
| Tax-exempt clients | 8 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |

Webster Capital Management is an equity, fixed-income, balanced, international and option overwriting manager.

Its equity approach is to minimize losses in declining markets and maximize returns in rising markets. It is a market timer and uses quantitative or passive approaches.

Its fixed-income approach is passive, using financial futures and options.

The asset mix Jan. 1 was 18% stocks, 10% bonds, 1% cash and 71% options.

The parent company is Kidder, Pea-

body & Co. Inc. Total assets under management by the parent, subsidiaries and affiliates are $6 billion.

James D. Taliaferro, president, is chief investment officer. William O. Melvin Jr., director-investments, is client contact.

## Wedge Capital Management

*1650 Charlotte Plaza, Charlotte, N.C. 28244; (704) 334-6475*

| | |
|---|---|
| Total assets managed | $250,000,000 |
| Tax-exempt assets managed | $210,000,000 |
| International assets managed | $12,000,000 |
| Tax-exempt clients | 40 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $3,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Wedge Capital Management is an equity, fixed-income and balanced manager.

Its equity approach uses quantitative disciplines to evaluate a broad universe. Desired stocks will have improving earnings, good dividends and low p/e.

Its fixed-income approach uses quantitative disciplines to anticipate interest rate changes.

The asset mix Jan. 1 was 65% stocks, 5% bonds and 30% cash.

There was $12 million in foreign stocks.

Options and stock index futures are used.

Clients include L.L. Bean, Genesco and Southwire.

Richard X. Hodde, executive vice president, is chief investment officer. William E. Keenan, president, is client contact.

## Weiser Investment Management Ltd.

*135 S. LaSalle St., Suite 630, Chicago, Ill. 60603; (312) 372-1535*

| | |
|---|---|
| Total assets managed | $29,000,000 |
| Tax-exempt assets managed | $8,000,000 |
| Tax-exempt clients | 14 |
| Types of accounts managed | C |
| Minimum separate account | $300,000 |
| No. of portfolio managers | 2 |

Weiser Investment Management Ltd. is an equity and balanced manager.

The firm uses a flexible Graham & Dodd approach with emphasis on earnings and sales growth, financial condition and book value.

In fixed income, it invests almost solely in convertible securities.

The asset mix Jan. 1 was 66% stocks, 14% convertible bonds and 20% cash.

Morris Weiser, president, is chief investment officer. Mr. Weiser and Michael Herst, vice president, are client contacts.

## Weiss, Peck & Greer

*1 New York Plaza, 30th Floor, New York, N.Y. 10004; (212) 908-9565*

| | |
|---|---|
| Total assets managed | $3,428,000,000 |
| Tax-exempt assets managed | $2,704,000,000 |
| Tax-exempt clients | 92 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $20,000,000 |
| No. of portfolio managers | 9 |
| Size of research staff | 4 |

Weiss, Peck & Greer is an equity, fixed-income and balanced manager.

Its equity approach uses emerging growth and low p/e stocks.

Its fixed-income approach stresses high-quality portfolios to earn significant excess returns over bond indexes. Management is systematic, based on holding a constant level of portfolio risk and produces the excess returns consistently. The methodology is an alternative to indexation and market timing.

The asset mix Jan. 1 was 78% stocks, 15% bonds and 7% cash.

Options, stock index futures and fixed-income futures are used.

It follows 200 stocks closely and 500, generally; 95% of the research is generated internally.

Clients include American Can, General Motors, Cooper Tire & Rubber and GTE.

Stephen H. Weiss, managing partner, is chief investment officer.

Vincent E. Teti, partner/director of marketing and client servicing, is client contact.

## Wellington Management Co./Thorndike, Doran, Paine & Lewis

*28 State St., Boston, Mass. 02109; (617) 227-9500*

| | |
|---|---|
| Total assets managed | $28,976,000,000 |
| Tax-exempt assets managed | $9,076,000,000 |
| Real estate assets managed | $13,000,000 |
| Mortgage-backed assets managed | $545,000,000 |
| International assets managed | $170,000,000 |
| Tax-exempt clients | 185 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 31 |
| Size of research staff | 44 |

Wellington Management Co./Thorndike, Doran, Paine & Lewis is an equity, fixed-income, real estate and international manager.

It offers a broad range of equity styles, including the use of growth, emerging growth and low p/e stocks analyzed through Graham & Dodd methods.

Its fixed-income approach uses interest rate anticipation.

Its real estate approach consists of equity investing in residential multifamily properties diversified geographically.

The asset mix Jan. 1 was 68% stocks, 19% bonds, 7% cash and 6% mortgage-backed securities.

There was $12.5 million in equity real estate, $165.8 million in foreign stocks and $4.2 million in foreign bonds.

Options and stock index futures are used.

Robert W. Doran, president, is chief investment officer. Lisa Zeller, vice president, is client contact.

## Wells Fargo Investment Advisors

*50 California St., San Francisco, Calif. 94163; (415) 434-6000*

| | |
|---|---|
| Total assets managed | $53,571,000,000 |
| Tax-exempt assets managed | $53,237,000,000 |
| 401(k) assets managed | $577,000,000 |
| Mortgage-backed assets managed | $353,000,000 |
| International assets managed | $400,000,000 |
| Tax-exempt clients | 175 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $100,000,000 |
| No. of portfolio managers | 12 |
| Size of research staff | 3 |

Wells Fargo Investment Advisors is an equity, fixed-income, balanced and international manager.

The firm offers index funds and index-based management. Each product shares the common characteristic of highly controlled investment outcomes at the lowest possible cost to the sponsor.

Its passive fixed-income approach offers index funds tracking the Shearson Lehman Government/Corporate bond index and the Salomon Brothers BIG index.

The asset mix Jan. 1 was 66% stocks, 13% bonds, 3% cash, 1% mortgage-backed securities and 17% portfolio insurance.

There was $399.6 million in foreign stocks, $34.331 billion in equity index funds, $6.187 billion in bond index funds and $506.6 million in dedicated or immunized bond portfolios.

Stock index futures and fixed-income futures are used.

The parent company is Wells Fargo & Co. Total assets under management by the parent company, subsidiaries and affiliates are $64.141 billion.

Frederick L.A. Grauer, president, is chief investment officer. Michael J. Henman, vice president, is client contact.

## Wells Fargo Realty Advisors

*330 Washington St., Marina del Rey, Calif. 90292; (213) 822-2032*

| | |
|---|---|
| Total assets managed | $2,619,000,000 |
| Tax-exempt assets managed | $668,000,000 |
| 401(k) assets managed | $20,000,000 |
| Real estate assets managed | $668,000,000 |
| Tax-exempt clients | 150 |
| Types of accounts managed | CG |
| Minimum separate account | $50,000,000 |
| No. of portfolio managers | 2 |

Wells Fargo Realty Advisors is a real estate manager that seeks investment opportunities where value can be created through development, renovation, expansion or active asset management.

The asset mix Jan. 1 was 54% equity real estate and 46% mortgages.

There was $364 million in equity real estate and $304 million in mortgages.

The parent company is Wells Fargo & Co. Total assets under management by the parent company, subsidiaries and affiliates are $64.141 billion.

Clients include Avon, General Motors, Frank Russell Trust and Ohio Public Employees.

Doug Hayek, director of acquisitions, is chief investment officer. J. Michael Johnson, director of marketing, is client contact.

## Wentworth Hauser & Violich

*333 Sacramento St., San Francisco, Calif. 94111; (415) 981-6911*

| | |
|---|---|
| Total assets managed | $2,140,000,000 |
| Tax-exempt assets managed | $1,935,000,000 |
| Tax-exempt clients | 89 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 3 |

Wentworth Hauser & Violich is an equity, fixed-income and balanced manager.

Equity portfolio characteristics are p/es less than the S&P, 10-year dividend growth rates double the S&P, implied returns (yield plus plow back) 30% greater than the S&P.

Its fixed-income approach structures portfolios to take advantage of cyclical behavior of interest rates. Average maturity is less than five years.

The asset mix Jan. 1 was 28% stocks, 67% bonds and 5% cash.

It follows 120 stocks closely and 200, generally; 80% of research is generated internally.

Clients include Air Products, New Mexico Public Employees, Southern California Edison and Gates Rubber.

W.K. Hauser is chief investment officer. Bradford Hall is client contact.

## Wertheim Asset Management Services Inc.

*230 Park Ave., New York, N.Y. 10169-0105; (212) 370-6140*

| | |
|---|---|
| Total assets managed | $1,402,000,000 |
| Tax-exempt assets managed | $1,402,000,000 |
| Mortgage-backed assets managed | $372,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 2 |

Wertheim Asset Management Services Inc. is an equity, fixed-income, balanced, real estate, international and GIC manager.

Its equity approach is bottom-up, emphasizing relative value by selecting individual securities selling at reasonable p/e multiples relative to projected earnings growth.

Its fixed-income approach emphasizes total return through active management. It uses interest rate anticipation, followed by sector rotation based on yield spread analysis. Cash equivalents are used.

The asset mix Jan. 1 was 37% stocks, 24% bonds, 12% cash and 27% mortgage pass-through and mortgage-backed securities.

The parent company is Wertheim Schroder & Co. Inc. The total assets under management by the parent company, subsidiaries and affiliates are $1.4 billion.

Clients include UTX, Michigan, Carpenter Technology and ILGWU.

Ernest Mysogland, president, is chief investment officer. Steven W. Golann, vice president, is client contact.

## Wertheim-Philippe International

*230 Park Ave., New York, N.Y. 10169; (212) 370-6140*

| | |
|---|---|
| Total assets managed | $507,000,000 |
| Tax-exempt assets managed | $96,000,000 |
| International assets managed | $65,000,000 |
| Tax-exempt clients | 2 |
| Types of accounts managed | CG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 6 |
| Size of research staff | 6 |

Wertheim-Philippe International is an international manager.

Its equity approach incorporates both a top-down and bottom-up methodology. Equal weight is placed on country, sector and stock decisions. Minimal use is made of cash equivalents. Portfolios are diversified with about 100 securities; a third are small-cap issues.

The asset mix Jan. 1 was 84% stocks, 1% bonds and 15% cash.

The firm is a joint venture of Wertheim Asset Management and the Philippe Group. Total assets under management by the parent companies, subsidiaries and affiliates are $1.909 billion.

Beatrice Philippe, managing director, is chief investment officer. Steven W. Golann, managing director, is client contact.

## Western Asset Management

*707 Wilshire Blvd., Los Angeles, Calif. 90017; (213) 614-2619*

| | |
|---|---|
| Total assets managed | $3,778,000,000 |
| Tax-exempt assets managed | $2,729,000,000 |
| 401(k) assets managed | $20,000,000 |
| Mortgage-backed assets managed | $873,000,000 |
| Tax-exempt clients | 27 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 3 |

Western Asset Management Co. is a fixed-income manager.

Its fixed-income approach is passive and uses interest rate anticipation and sector analysis for structured products that combine conservative investment techniques with progressive quantitative analysis to add value.

The asset mix Jan. 1 was 45% bonds, 23% cash and 32% mortgage-backed securities.

There was $65 million in bond index funds. There is one 401(k) client.

Options and fixed-income futures are used. Half of the research is generated internally.

The parent company is Legg Mason Inc. Total assets under management by the parent company, subsidiaries and affiliates are $4.8 billion.

Clients include AT&T, Minnesota, International Ladies Garment Workers Union and NYNEX.

W. Curtis Livingston, managing director and chief executive officer, is chief investment officer. Randolph L. Kohn, vice president and director of marketing, is client contact.

## Wheat Investment Advisors

*707 E. Main St., Richmond, Va. 23219; (804) 649-2311*

| | |
|---|---|
| Total assets managed | $538,000,000 |
| Tax-exempt assets managed | $328,000,000 |
| Tax-exempt clients | 57 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 2 |

Wheat Investment Advisors Inc. is an equity and balanced manager.

Its equity approach emphasizes growth stocks. The firm targets companies demonstrating superior current earnings momentum relative to others; earnings are considered a prime determinant of stock price over time.

Its fixed-income approach, used in balanced accounts, is passive, emphasizing sector analysis. The firm invests in quality issues, mainly government related, with a short- to intermediate-term average maturity.

The asset mix Jan. 1 was 70% stocks, 20% bonds and 10% cash.

Clients include James River, International Longshoremen and District of Columbia.

A. Gordon Goodykoontz, president, is chief investment officer. Thomas T. Rankin, vice president, is client contact.

## Wilkens & Nanovic Associates

*35 Mason St., Greenwich, Conn. 06830; (203) 622-1040*

| | |
|---|---|
| Total assets managed | $466,000,000 |
| Tax-exempt assets managed | $466,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | C |
| Minimum separate account | $15,000,000 |
| No. of portfolio managers | 2 |

Wilkens & Nanovic Associates is a risk-averse core equity manager focusing on identifying fundamental changes within companies whose stocks at purchase exhibit limited downside risk. Portfolios are diversified; cash reserves may reach 50%.

All assets Jan. 1 were in stocks.

It follows 90 stocks closely and 400, generally; 10% of research is generated internally.

Clients are GenCorp, RJR-Nabisco, Sea-Land and Inco.

Frank Wilkens is chief investment officer. Ruth Koolsbergen is client contact.

## Wilmington Capital Management Inc.

*1 Rodney Square, Suite 807, Wilmington, Del. 19801; (302) 656-8241*

| | |
|---|---|
| Total assets managed | $978,000,000 |
| Tax-exempt assets managed | $906,000,000 |
| Tax-exempt clients | 19 |
| Types of accounts managed | CEFG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 3 |

Wilmington Capital Management Inc. is an equity and balanced manager.

Its equity approach combines Graham & Dodd analysis and low p/e stocks. It seeks to determined value through fundamental analysis; disparities between value and price create investment opportunities.

Its fixed-income approach is used in balanced accounts for increased cash flow, reduced market volatility and to protect against business risk and a general deflation.

The asset mix Jan. 1 was 86% stocks, 3% bonds and 11% cash.

Clients include Teamsters, California Teachers, Delmarva Power & Light and Pennsylvania Power & Light.

Daniel F. Mahoney Jr., president, is chief investment officer. James W. MacAllen, vice president, is client contact.

## Wilmington Trust Co.

*Rodney Square North, Wilmington, Del. 19890; (302) 651-8518*

| | |
|---|---|
| Total assets managed | $17,849,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,065,000,000 |
| Commingled | $600,000,000 |
| Separate | $2,465,000,000 |
| 401(k) and 457 assets managed | $15,000,000 |
| International assets managed | $18,000,000 |
| Tax-exempt clients | |
| Commingled | 6 |
| Separate | 109 |
| Types of accounts managed | CEFG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 10 |
| Size of research staff | 8 |

Wilmington Trust Co. is an equity, fixed-income, balanced and international manager.

Its equity approach uses a value-oriented internal investment style.

Its fixed-income approach uses a mathematical investment process that reacts to and participates in market price trends. No interest rate forecasting is used.

The asset mix Jan. 1 was 30% stocks, 30% bonds and 40% cash.

There was $18 million in foreign stocks. Options and fixed-income futures are used.

It follows 116 stocks closely and 200, generally; 50% of research is internally generated.

Clients include Hagley Museum & Library, Iowa State University and Fairfax County (Va.).

Nathan Hayward III is chief investment officer. Jeffrey Stroble, assistant vice president, and Richard A. Dobbs, vice president, are client contacts.

## Wilshire Asset Management

*1299 Ocean Ave., Suite 700, Santa Monica, Calif. 90401; (213) 451-3051*

| | |
|---|---|
| Total assets managed | $2,500,000,000 |
| Tax-exempt assets managed | $2,500,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | CFG |
| Minimum separate account | $0 |
| No. of portfolio managers | 2 |

Wilshire Asset Management is an equity manager.

Its approach is passive, combining growth, emerging growth and low p/e stocks in a variety of disciplined styles.

All assets Jan. 1 were in equity index funds.

The firm follows 5,800 stocks gen-

erally; all research is internally generated. Stock index futures are used.

Clients include Minnesota, Presbyterian Church Board and North Dakota.

Thomas D. Stevens is chief investment officer and client contact.

### Wilson Foster & Co. Inc.

*4987 Olivas Park Drive, No. 100, Ventura, Calif. 93001; (805) 644-8207*

| | |
|---|---|
| Total assets managed | $68,000,000 |
| Tax-exempt assets managed | $67,000,000 |
| Tax-exempt clients | 17 |
| Types of accounts managed | CF |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 3 |

Wilson Foster & Co. Inc. is an equity and balanced manager.

Its equity approach combines growth and low p/e stocks and market timing. It screens for new trends and growth potentials and the desire of investor ownership, including a major emphasis on fundamental analysis often leading to overlooked situations. Asset allocation depends upon perceived risks.

The asset mix Jan. 1 was 87% stocks, 5% bonds and 8% cash.

Stock index futures are used.

Harvey F. Wilson, president, is chief investment officer. Fynn F. Wilson, analyst, is client contact.

### Wilson, Kemp & Associates

*400 Renaissance Center, Detroit, Mich. 48243; (313) 259-6210*

| | |
|---|---|
| Total assets managed | $300,000,000 |
| Tax-exempt assets managed | $175,000,000 |
| Tax-exempt clients | 75 |
| Types of accounts managed | CEFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 2 |

Wilson, Kemp & Associates Inc. is an equity, fixed-income and balanced manager.

Its equity approach is fundamental, combining growth, emerging growth and low p/e stocks with Graham & Dodd analysis.

Its fixed-income approach uses interest rate anticipation without a short-term trading orientation.

The asset mix Jan. 1 was 60% stocks, 30% bonds and 10% cash.

It follows 75 stocks closely and 300, generally; 5% of research is internally generated.

Robert D. Kemp Jr. and Thomas A. Wilson, principals, are chief investment officers and client contacts.

### Winchester Capital Management Co.

*1 Federal St., Boston, Mass. 02110; (617) 482-3001*

| | |
|---|---|
| Total assets managed | $180,000,000 |
| Tax-exempt assets managed | $125,000,000 |
| Tax-exempt clients | 58 |
| Types of accounts managed | CFG |
| Minimum separate account | $500,000 |
| No. of portfolio managers | 5 |

Winchester Capital Management Co. is an equity, fixed-income and balanced manager.

Its equity approach uses sector rotation, and is top-down and bottom-up. Valuation mechanisms include relative and absolute p/e.

Its fixed-income approach uses interest rate anticipation based on macroeconomic analysis.

The asset mix Jan. 1 was 73% stocks, 17% bonds and 10% cash.

John Livens, executive vice president, is chief investment officer. James F. Barrett, vice president, is client contact.

### William D. Witter Inc.

*153 E. 53rd St., New York, N.Y. 10022; (212) 753-7878*

| | |
|---|---|
| Total assets managed | $463,000,000 |
| Tax-exempt assets managed | $365,000,000 |
| Tax-exempt clients | 32 |
| Types of accounts managed | CEFG |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 2 |
| Size of research staff | 1 |

William D. Witter Inc. is an equity, fixed-income and balanced manager.

Its equity approach emphasizes value. Expectation is for greater relative returns from medium-size, high-quality growth companies with sound balance sheets.

The asset mix Jan. 1 was 84% stocks and 16% cash.

It follows 75 stocks closely and 150, generally; 45% of the research is generated internally.

Clients include Syntex, W. Alton Jones Foundation, Pratt Institute and Conrad N. Hilton Foundation.

William D. Witter, chairman, is chief investment officer and client contact.

### Wolf, Webb, Burk & Campbell

*260 S. Broad St., Suite 901, Philadelphia, Pa. 19102; (215) 735-5910*

| | |
|---|---|
| Total assets managed | $750,000,000 |
| Tax-exempt assets managed | $750,000,000 |
| Mortgage-backed assets managed | $70,000,000 |
| Tax-exempt clients | 34 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $10,000,000 |
| No. of portfolio managers | 5 |

Wolf, Webb, Burk & Campbell Inc. is an equity, fixed-income and balanced manager.

Its equity approach combines low p/e stocks, sector rotation and market timing with Graham & Dodd analysis.

Its fixed-income approach is keyed to interest rate anticipation, market timing and, to a lesser degree, sector swapping.

The asset mix Jan. 1 was 35% stocks, 35% bonds, 20% cash and 10% mortgage-backed securities.

It follows 150 stocks closely and 1,000, generally; 75% of research is internally generated.

Clients include Bic Corp., Peoples Energy, LeMoyne College and Skidmore College.

H. Jerry Wolf, president, is chief investment officer. Bill Campbell, vice president and principal, is client contact.

### M.K. Wong & Associates

*1066 W. Hastings St., No. 2520, Vancouver, British Columbia V6E 3X1; (604) 669-4555*

| | |
|---|---|
| Total assets managed | $2,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,200,000,000 |
| For subsidiaries of U.S. firms | $700,000,000 |
| Tax-exempt clients: | |
| Total | 131 |
| U.S. subsidiaries | 17 |
| Types of accounts managed | CPU |
| Minimum separate account | $7,500,000 |
| No. of portfolio managers | 5 |
| Size of research staff | 3 |

M.K. Wong & Associates Ltd., a Canadian firm, is a balanced manager.

Its equity approach identifies areas of strength in the economy or structural changes, then evaluates and relates them to specific industries and/or companies. Graham & Dodd analysis is used.

Its fixed-income approach uses interest rate anticipation. Liquidity is key; government and high-quality corporate bonds are used to facilitate shifts.

The asset mix Jan. 1 was 50% Canadian stocks, 40% bonds and 10% U.S. stocks.

There was $9.6 million in dedicated or immunized bond portfolios.

It follows 60 stocks closely and 100, generally; 50% of research is generated internally.

The parent company is W.K. Wong & Associates Ltd. Total assets under management by the parent, subsidiaries and affiliates is $2.35 billion.

Milt Wong is chief investment officer. Wayne Deans is client contact.

### Woodmont Realty Advisers

*1050 Ralston Ave., Belmont, Calif. 94002; (415) 592-3960*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed | $220,000,000 |
| Real estate assets managed | $220,000,000 |
| Tax-exempt clients | 4 |
| Types of accounts managed | EG |
| Minimum separate account | $10,000,000 |
| No. of asset managers | 5 |
| Size of research staff | 12 |

Woodmont Realty Advisers is a real estate manager that provides advisory, acquisition/disposition and property management on a direct investment basis for U.S. and foreign pension funds and other institutional investors.

All assets Jan. 1 were in equity real estate.

The parent company is The Woodmont Cos.

Marin County Employee Retirement System is a client.

T.N. Taube, chairman of the board, is chief investment officer. Howard Friedman, vice president, is client contact.

### Wood, Struthers & Winthrop Management Corp.

*140 Broadway, New York, N.Y. 10005; (212) 504-4000*

| | |
|---|---|
| Total assets managed | $1,209,000,000 |
| Tax-exempt assets managed | $445,000,000 |
| 401(k) assets managed | $8,000,000 |
| Mortgage-backed assets managed | $26,000,000 |
| Tax-exempt clients | 92 |
| Types of accounts managed | CEFJ |
| Minimum separate account | $5,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 2 |

Wood, Struthers & Winthrop Management Corp. is an equity, fixed-income and balanced manager.

Its equity approach is fundamental research, screened within the context of quantitative valuation techniques. Holdings are concentrated by sectors, emphasizing industry leaders with an identifiable earnings growth pattern.

Its fixed-income approach focuses on maturity risk to ensure preservation of capital and a real rate of return over an interest rate cycle. Fundamental research is used.

The asset mix Jan. 1 was 58% stocks, 33% bonds and 9% cash.

The firm is a subsidiary of Donaldson, Lufkin & Jenrette Inc., which is a subsidiary of The Equitable Life Assurance Society of the United States. The total assets under management by the parent company, subsidiaries and affiliates is $90.772 billion.

Charlotte B. Beyer, vice president, is client contact.

### WRC Capital Management

*1320 Washington St., Columbia, S.C. 29201; (803) 254-6138*

| | |
|---|---|
| Total assets managed | $7,000,000 |
| Tax-exempt assets managed | $3,000,000 |
| Tax-exempt clients | 5 |
| Types of accounts managed | C |
| Minimum separate account | $250,000 |
| No. of portfolio managers | 4 |
| Size of research staff | 2 |

WRC Capital Management Inc. is an equity, fixed-income and balanced manager.

Its equity approach is investing in undervalued low p/e stocks with high yields and solid fundamentals. The firm maintains its own econometric asset allocation model. It uses Graham & Dodd methods.

Its fixed-income approach features interest rate anticipation based on its proprietary econometric model. Only U.S. government issues are used.

The asset mix Jan. 1 was 55% stocks, 35% bonds and 10% cash.

Fifty stocks are followed closely and 75, generally; 25% of the research is generated internally.

William R. Crockett is the chief investment officer. Mr. Crockett and Ephraim Ulmer are client contacts.

### Wright Investors' Service

*10 Middle St., Bridgeport, Conn. 06604; (203) 333-6666*

| | |
|---|---|
| Total assets managed | $3,475,000,000 |
| Tax-exempt assets managed | $3,137,000,000 |
| Tax-exempt clients | 106 |
| Types of accounts managed | CEFJG |
| Minimum separate account | $1,000,000 |
| No. of portfolio managers | 7 |
| Size of research staff | 35 |

Wright Investors' Service is an equity, fixed-income and balanced manager.

Its equity approach offers three products: Quality Core, which stresses quality growth and broadly diversified securities; Blue Chip, which stresses active growth securities; and Junior Blue Chip, which emphasizes smaller, well-established growth companies.

Its fixed-income approach emphasizes interest rate anticipation. Dedicated bond portfolios also are offered.

The asset mix Jan. 1 was 69% stocks, 29% bonds and 2% cash.

There was $491 million in dedicated or immunized bond portfolios.

It follows 360 stocks closely and 4,000, generally; all research is generated internally.

The parent company is Winthrop Corp. Total assets under management by the parent company, subsidiaries and affiliates are $3.475 billion.

Judith R. Corchard, senior vice president and senior investment officer, is chief investment officer. Albert L. Meric Jr., senior vice president, is client contact.

## y

### Yamaichi Capital Management Inc.

*2 World Trade Center, No. 9666, New York, N.Y. 10048; (212) 912-6484*

| | |
|---|---|
| Total assets managed | $144,000,000 |
| Tax-exempt assets managed | $6,000,000 |
| Tax-exempt clients | 1 |
| Types of accounts managed | C |
| Minimum separate account | $2,000,000 |
| No. of portfolio managers | 20 |
| Size of research staff | 5 |

Yamaichi Capital Management Inc. is an equity, fixed-income, balanced and international manager.

Its equity approach invests in medium-size and blue-chip companies with secular growth characteristics, sound financials and good management.

Its fixed-income approach uses active switches based on interest rate forecasts.

The asset mix Jan. 1 was 90% stocks and 10% cash. There was $6 million in foreign stocks.

The parent company is Yamaichi International Capital Management Co. Ltd. Total assets under management by the parent company, subsidiaries and affiliates are $4.575 billion.

Masaru Izumi is chief investment officer.

### Yeager, Wood & Marshall

*630 Fifth Ave., New York, N.Y. 10111; (212) 765-5350*

| | |
|---|---|
| Total assets managed | $1,469,000,000 |
| Tax-exempt assets managed | $1,259,000,000 |
| Tax-exempt clients | 18 |
| Types of accounts managed | CEF |
| Minimum separate account | $25,000,000 |
| No. of portfolio managers | 3 |

Yeager, Wood & Marshall Inc. is an equity manager that invests in large and small companies that have achieved dominant positions in growth markets.

The asset mix Jan. 1 was 95% stocks and 5% cash.

It follows 40 to 50 stocks closely and 50 to 75, generally; 85% of the research is generated internally.

Clients include American Red Cross, Corning Glass Works, IBM and General Public Utilities.

B. Robert Wood, executive vice president, is chief investment officer. George M. Yeager, president, is client contact.

### Yield Management Group

*20 Toronto St., Suite 1140, Toronto, Ontario M5C 2B8; (416) 364-3711*

| | |
|---|---|
| Total assets managed | $740,000,000 |
| Tax-exempt assets managed: | |
| Total | $220,000,000 |
| For subsidiaries of U.S. firms | $40,000,000 |
| Tax-exempt clients: | |
| Total | 32 |
| U.S. subsidiaries | 1 |
| Types of accounts managed | CPU |
| Minimum separate account | $4,000,000 |
| No. of portfolio managers | 3 |
| Size of research staff | 1 |

Yield Management Group, a Canadian firm, is an equity, fixed-income, and balanced manager that also specializes in cash, futures and options.

Its equity approach screens stocks for specific historic characteristics — low price-to-book, high return on equity. Graham & Dodd analysis is used; an optimization model is also used.

Its passive fixed-income approach ranges from immunization to return optimization under various interest rate scenarios. Sector analysis is used.

The asset mix Jan. 1 was 20% Canadian stocks, 30% bonds and 50% cash.

There was $50 million in dedicated or immunized bond portfolios.

Eric Innes, partner, is chief investment officer and client contact.

## z

### Zavanelli Portfolio Research

*729 S. Prospect, Park Ridge, Ill. 60068; (312) 823-6718*

| | |
|---|---|
| Total assets managed | $6,000,000 |
| Tax-exempt assets managed | $5,000,000 |
| Tax-exempt clients | 15 |
| Types of accounts managed | CF |
| Minimum separate account | $100,000 |
| No. of portfolio managers | 1 |
| Size of research staff | 4 |

Zavanelli Portfolio Research is an equity manager whose approach is to isolate market inefficiencies by using computerized research techniques in conjunction with theories of investor behavior. It has developed a system claimed to be a significant expansion of modern portfolio theory and efficient market theory.

Assets Jan. 1 were all in stocks.

Options are used.

Clients include Tatham-Laird & Kudner, Frankel Furniture and Aluminum Design.

Max Zavanelli, president, is chief investment officer. Cecil Suter, executive vice president, is client contact.

# Passive . . .

*Continued from page 2*

10 bond index fund managers are banks or bank subsidiaries.

The total assets passively managed by insurance companies as of Jan. 1 was $257.5 billion, or 16.9% of the total tax-exempt assets in *P&I Age*'s survey. In the survey a year earlier, insurance companies reported passively managing $210.3 billion or 17.3% of the total tax-exempt assets at that time.

Passive assets managed by insurers as of Jan. 1 include $32.5 billion in bullet guaranteed investment contracts, which are contracts purchased with a single payment, and $42.86 billion in window GICs, which are contracts that can be purchased in installments. (Those figures do not include $26.5 billion in GICs reported by three insurance companies that didn't give a breakdown between window and bullet investments.)

The insurance companies also reported $106.912 billion in other passively managed general account products, which include immediate participation guarantee contracts.

Annuity assets managed by Prudential Asset Management Inc., Newark, N.J. dropped to $8.219 billion as of Jan. 1, from $11.237 billion a year earlier.

Sue O'Brien, manager of marketing, said the decline was partly due to excluding annuities purchased for one company's terminated plans.

Last summer, Prudential agreed to guarantee payment of liabilities for a $2.8 billion pension plan terminated by Union Carbide Corp., Danbury, Conn. But the contract was listed as part of general (non-passive) business because it isn't a traditional annuity arrangement. Carbide has retained full discretion over investment management of the assets backing the liabilities.

Banks managed $118.3 billion in total passive assets as of Jan. 1, of which $81.6 billion was in equity index funds, $17.7 billion in bond index funds and $18.9 billion in dedicated or immunized portfolios.

Investment counseling firms managed $36.6 billion in total passive assets as of Jan. 1, of which $16.9 billion was in equity index funds, $6.3 billion in bond index funds and $13.4 billion in dedicated or immunized portfolios. ■

# Gold, growth stocks lead

## Both give top managers edge in 1st-quarter returns

**By Fred Williams**

SILVER SPRING, Md. — Gold stocks and small- to medium-growth stocks helped the top-performing equity managers in the first quarter and for the 12 months ended March 31, according to the most recent report by CDA Investment Technologies Inc.

Pension Management Co., Houston, finished at the top of the list for both the three- and 12-month periods ended March 31. Pension Management returned 53.1% for the quarter and 53.9% for the 12 months, according to CDA.

The Standard & Poor's 500 stock index returned 21.3% for the quarter ended March 31 and 31.7% for the 12 months ended March 31.

National Investment Services of America, Milwaukee, finished No. 2 for the 12 months with a return of 42.1%.

NISA was the top-performing equity manager for the three-year period ended March 31 with a compound annual return of 40.7%.

Ruane Cunniff & Co., New York, topped the list for the five year period with an annualized 32.3%.

Pension Management, with $32 million under management, $30 million of which is tax-exempt, rode the wave to the top aboard a portfolio containing only nine stocks, but heavily weighted with gold stocks.

John Lee, chief investment officer, said Pension Management relies heavily on investment research and usually owns between six and 24 stocks.

"We are aggressive within the listed securities we follow. We put in an inordinately large amount of research to select a very few stocks," he said.

The nine stocks in the $2 million Pension Management equity portfolio were **Freeport-McMoran Gold Co., Newmont Mining Corp., Echo Bay Mines, Battle Mountain Gold Co., Sunshine Mining Co., Benguet Co., Imperial Corp. of America, Allis-Chalmers Corp.** and **International Bank Note**.

Pension Management started moving into gold stocks during the second half of 1986 and plans to stay with gold issues.

"We look for gold to move to $700 an ounce over the next few years (from about $430 now); gold is in a long-term secular upturn," he said.

NISA, with about $250 million in equities under management, stuck with growth stocks to compile the best three-year record and next to the top for the one year period.

"We are growth managers and look for small- to medium-capitalization, growth-type stocks," said Cathy Morgan, vice president and portfolio manager.

"We haven't done a lot of portfolio manipulating, we stuck with solid growth companies over these periods, but we did pick up some computer and technology issues prior to year-end 1986 and they did very well for us."

Some of the longer-term issues in the NISA portfolio include **The Limited Inc., Liz Claiborne Inc., Cray Research Inc., Rent-a-Center Inc., Oshkosh B'Gosh Inc. and Computer Associates Inc.**

Added to the list in the first quarter were **Reebok International Ltd.** and **Digital Equipment Corp.**

Tower Capital Management Inc., Avon, Conn., finished in the third position among the top 20 equity managers for the one-year period with a 40.9% return and seventh for the quarter with 37.1%.

Tower also invests in small-capitalization, high-growth companies.

"Investors' appetite for these stocks has lagged for the last three years," said Roy McKay, managing director at Tower Capital.

"That was rekindled in the last quarter. We think it started in the fourth quarter of 1986 but was masked by year-end tax selling. When tax selling stopped, it then became apparent.

"It is also part of a massive secular shift from primary inflation-sensitive areas between 1983 and 1986 to investors now focusing on earnings growth.

"During the fourth quarter, there was a shift toward technology stocks, those cyclical in nature.

"We doubled our exposure to the semiconductor companies. That helped us a lot in the first quarter. We also doubled our exposure to the semiconductor capital-equipment makers."

**KLA Instruments** and **Intel Corp.** were among the semiconductor companies owned by Tower, and **Digital Communications Inc., 3-Com Corp.** and **Novell Co.** were among its semiconductor capital-equipment holdings.

California First Capital Management, La Jolla, finished the quarter in third position with a return of 46.4% and fourth for the year with 39.5%.

California First also invests in aggressive growth, small-cap companies using a bottom-up, stock-picking approach, said John French, vice president.

"It was a good year for us," said Mr. French.

"We earned a great deal of money from consumer stocks, specialty retailers.

"Late in the year we observed analysts increasing earnings estimates for technology stocks and we began positioning ourselves in these stocks. We went from 10% in technology to over 30% by year end.

"Our consumer and technology stocks have performed very well."

Among the issues owned by California First were **Computer Factories Inc., Microsoft Corp., Seagate Technologies, Gap Inc., Safecard Inc.** and **Telecredit Corp.**

Portfolio size for the top 20 investment managers in the CDA list for the 12 months ended March 31 ranged from $2 million at Pension Management Co. to $3.8 billion at Investors Research Corp., Kansas City, Mo.

The CDA report is based on the 13(f) filings of all investment managers.

Only common equity assets are covered and cash holdings are not reflected in the results.

The portfolios are "frozen" at the beginning of the quarter and valued at the end of the quarter, with no allowance made for intraquarter transactions. ■

# RCB . . .

*Continued from page 4*

and cash. Mr. Barksdale declined to name them.

The Wells Fargo factored tilt fund, launched July 1, was added to the RCB fund.

The Wells fund had $234 million in assets March 31, said Michael J. Henman, vice president at Wells Fargo. Its return for the quarter ended March 31 was 20.95%, and for the six months ended Dec. 31, −1.76%.

The S&P 500 index for the quarter ended March 31 returned 21.4% and for the six months ended Dec. 31, −1.8%, according to Rogers, Casey & Barksdale.

The Wells Fargo fund invests in the S&P 500 index, but its weighting is tilted regularly to obtain optimum performance and maintain a beta of 1.

Factors determining its tilt are capitalization rates, yields and price-to-earnings and price-to-book ratios, Mr. Henman said.

The addition of indexing to multimanager programs is welcomed by the investing industry. Paul Erlendson, a consultant with Callan Associates Inc., San Francisco, said, "We expect this to grow particularly as plan sponsors continue having trouble beating indexes."

Evaluation Associates Inc., Westport, Conn., recently applied to the Securities and Exchange Commission to add an indexing component to a multimanager pool Evaluation Associates operates for banks.

The Wells Fargo indexed product has been added to the RCB fund's core equity component, which now has three active managers.

Other components of the Fund for Employee Benefit Trusts are defensive equity, small-capitalization equity, core fixed income, special fixed income and cash. ■

# Competitive . . .

*Continued from page 2*

1970s.

Staff was pared back sharply, and new managers were hired to bring an entrepreneurial quality to the firm. "We basically took a fairly large firm . . . and turned it sideways," said Stephen E. Canter, who has served as president and chief investment officer since 1980.

In addition, in early 1981, Chase implemented a compensation scheme that tied incentive payments to the profitability of both a manager's specialized shop and the firm's overall success.

In the late 1970s, many banks started developing heavily quantitative fixed-income products, such as dedicated and immunized bond portfolios. With interest rates soaring, pension money flowed.

Shortly thereafter, spinoffs of bank trust departments freed numerous investment shops from restrictive bank compensation practices and, probably to a lesser extent, bank bureaucratic tendencies. The gap between compensation at the biggest banks and money management firms closed dramatically, with some now claiming the biggest banks are competitive with money managers.

"The most aggressive organizations . . . are getting closer and closer," said Al van den Broek, managing director of management consultants McLagan Partners Inc., Stamford, Conn. "But if you take the bank group as a whole, they are still struggling."

Before the banks set up investment subsidiaries, compensation typically was a base salary plus a bonus of 20% to 30%, using a standard bank formula such as management by objective, said Robert Greenberg, a compensation consultant for Towers, Perrin, Forster & Crosby, New York.

Now, compensation packages at major banks approximate partnership interests, providing short-term bonuses based on investment performance relative to a benchmark, plus long-term incentives based on profitability, he said.

A typical chief of equities in a major bank earns a base salary of $200,000 or more plus 60% to 70% of the base in annual bonus and a long-term incentive, Mr. Greenberg said. "That whole package could compare with any individual investment firm," he said, although it obviously wouldn't better the $1 million packages available at the wealthiest independents, where equity interests are involved.

Compensation at middle-tier banks still lags sharply. A recent study by Mercer-Meidinger-Hansen found department heads at independent firms with $1 billion to $5 billion in assets under management average $171,700 a year, more than twice the $79,100 paid their counterparts at comparably sized banks.

"No longer are the banks at a serious disadvantage," said Craig Uhlrich, a compensation consultant at Mercer-Meidinger-Hansen in New York. But they still can't compete in providing an equity stake, he said.

While compensation has narrowed, changes in the bureaucratic environment have come less easily.

"What you had was a fairly shocking cultural change," said Gary Brinson, president and chief investment officer of First Chicago Investment Advisors, which was spun off from First National Bank of Chicago in 1983.

The single biggest change at his shop was assembling a team with the right attitude and work ethic, Mr. Brinson said.

Even with spinoffs, the right atmosphere wasn't always created. And there still were defections. For example, the entire investment staff of Merchants Investment Counseling Inc., a wholly owned unit started from scratch by Merchants National Corp., Indianapolis, left in 1984 to form Heartland Capital Management Inc. in Indianapolis.

"The basic, fundamental reason (for leaving) was that we were unable to have any ownership interest in that company," explained Barry Ebert, Heartland's president and chief investment officer.

At some banks, executives decided to develop products built on banks' traditional strengths.

Lawrence Davanzo, senior vice president at Wilshire Associates, Santa Monica, Calif., said the strongest banks have developed "hybrid" products, often with a quantitative base, that "don't require any star status."

Such products don't need "any genius investment guy," but rather a "very good technical guy," Mr. Davanzo explained.

J.P. Morgan Investment Management Inc., New York, a subsidiary of J.P. Morgan and Co., was cited by several observers as one of the major success stories in recent years, building strengths in a variety of product lines.

Morgan has become "a powerhouse in the fixed-income area," said William Petty III, executive vice president of Estabrook Capital Management, New York.

About 20% of Morgan's $48 billion in tax-exempt assets are in products that didn't exist eight years ago, said William Cobb Jr., a managing director at Morgan. The bank subsidiary is the leading manager of dedicated and immunized bond funds, with $6.3 billion under management as of Jan. 1. In addition, it ran dynamic hedging overlays on $4.2 billion in assets.

And, of course, banks have carved out major niches for themselves in indexed assets, with Wells Fargo Investment Advisors, San Francisco, being the clear leader; it alone runs $34.3 billion in equity index funds. Wells, along with American National Bank, Chicago, and Batterymarch Financial Management, Boston, an independent firm that later withdrew from indexing, led the way since the mid-1970s.

Michael Henman, vice president and manager of client service and business development for Wells Fargo, said both the spinoff of the trust unit and development of heavily computer-driven processes spurred the unit's growth.

Now, those banks and others lead the indexation field. Of the $128.9 billion in indexed stock and bond assets reported by money managers as of Jan. 1, banks ran $81.62 billion, or 63.3%.

Banks are particularly strong at this type of business because they have the money to purchase computer hardware and software. In addition, the banks run more than $18.7 billion in dedicated or immunized bond portfolios, another heavily quantitative technique.

Even in the traditional equity area, banks have closed the gap in performance between them and the independent firms.

In fact, for the three- and five-year period ended Dec. 31, banks outperformed independent advisers, according to SEI Corp., Wayne, Pa. For the five-year period, banks returned 18.6% vs. 18.3% for the independents, and for three years, banks returned 16.5%, compared with 16.4% for the independents. ■

# Manager . . .

*Continued from page 4*

tely busy to get into alternative investments. Manager of managers has a limited appetite."

Collins Associates has about $140 million under management from six discretionary manager-of-manager clients, including Dravo Corp., Pittsburgh; Goulds Pumps, Inc., Seneca Falls, N.Y.; and Pacific Power & Light Co., Portland, Ore. Under the arrangement, Collins takes full responsibility for hiring, evaluating and firing managers.

Fredric D. Reed, senior vice president of Pacific Power & Light, said using the manager-of-manager approach has helped the fund achieve diversification and other services such as asset allocation and manager selection. Collins manages less than 5% of Pacific Power's $235 million in total pension fund assets.

Glenn Kent, a director of Abel/Noser, has a little more than $40 million under management from two clients, a large national union and the pension fund of a big Canadian bank. Abel/Noser offers an equity-oriented fund managed by six managers. "It is designed strictly for the smaller firms that don't have the resources to do this themselves and want to delegate it to me," Mr. Kent said.

Paul Berg, president of Berg Fiduciary, has five manager-of-manager clients and $75 million in assets under management.

The clients include the American Society of Civil Engineers, New York, the Sheet Metal Workers Union Local 85, Atlanta, and Insilco Corp., Meriden, Conn.

"It's the smallest part of our business but the quickest growing. We picked up five clients in one year," Mr. Berg said. ■

# Strategic asset allocation

## Strategy may ease pressure to find 'best' manager

**Feature**

By Michael E. Schroer

Asset allocation, as everyone knows, is the primary determinant of investment returns. Yet, until recently, thinking of asset allocation in the strategic sense has taken a back seat to selecting specialty equity and fixed-income managers for many plan executives.

In terms of time and effort spent evaluating and choosing various investment managers, many plan executives spend an inordinate amount of time trying to select the best equity manager among equity managers, or the best fixed-income manager among fixed-income managers. Improved portfolio results, in many instances, could be achieved more readily through the addition of a strategic asset allocation manager to influence overall plan allocation.

Table 1 shows the results of the median (50th percentile) equity and fixed-income managers from SEI Corp.'s data base for the calendar years 1981 through 1985. In addition, the returns from cash equivalents (Treasury bills) are also displayed in the table. Assuming a reasonably common allocation for a typical pension fund of 55% stocks, 30% bonds and 15% cash equivalents, a plan executive would achieve a compound rate of return for the total portfolio of 13.4% in the five-year period.

Now consider the results this executive would have achieved if he had been able to select superior equity and bond fund managers. Specifically, let's assume this executive selected the 25th percentile managers from the SEI equity fund and bond fund universes every single year from 1981 to 1985. Admittedly, the possibility of doing this for every calendar year is exceedingly slim, but the results in Table 2 should designate a "best case" result for the strategy of selecting superior equity and bond managers.

By successfully selecting superior equity and fixed-income managers in every year, the executive was able to achieve a return of 16.9% for the five-year period.

While this incremental return of 300 basis points is significant, keep in mind the difficulties of selecting a top 25th percentile manager (both equity and bond) every single year.

Now consider the results if the executive were able to implement a strategic asset allocation policy for the plan. The term strategic refers to a deviation from the plan's long-term asset allocation guidelines in order to take advantage of temporary mispricings of various asset classes.

In this case, assume a deviation of plus or minus 10% is allowed from the plan's long-term guidelines and that the strategic asset allocation process was able to determine the best and worst alternatives in any given year. For the years 1981 through 1985, the best and worst alternatives varied, as shown in Table 3.

The implementation of a strategic asset allocation process would result in the allocation to the best-performing asset class being increased 10%, and the worst-performing asset class being decreased a like amount in any given year. The annual allocation for this particular plan is detailed in Table 4.

Note the five-year average allocation to stocks, bonds and cash equivalents is virtually identical to the plan's long-term guidelines. However, the asset allocation is "tilted" toward particular asset classes in different years in order to take advantage of intramarket inefficiencies.

What would the results be if the plan executive implemented an effective strategic asset allocation policy using median equity and fixed-income managers? The results are found in Table 5.

The compound rate of return for the five-year period would have been 15.6%, an incremental return of 220 basis points over a static asset allocation strategy using median managers. This incremental return from strategic asset allocation using 25th percentile managers is 57% of the incremental return achieved through static asset allocation using median managers. Importantly, the long-term asset allocation of the fund would be affected very little by periodic strategic shifts.

This is not to imply plan executives should give up looking for superior equity and fixed-income managers, but simply points out strategic asset allocation can achieve most of the benefit from the selection of superior managers, even assuming a "best case" scenario.

Assuming a plan executive has the ability to select superior managers, and employs an effective strategic asset allocation policy, the potential returns for the plan rise even further. The figures in Table 6 show the results of a successful strategic asset allocation policy using top-quartile equity and fixed-income managers.

The incremental return from this example is 460 basis points more than the first example of static asset allocation using median managers.

The examples discussed above admittedly are simplistic, but do serve to point out the significant incremental returns achievable through a program of strategic asset allocation. It is worth noting that all of these examples assume a rebalancing of asset allocation commitments only every calendar year (how many equity and fixed-income managers rebalance their portfolios only on Jan. 1?). Even so, our hypothetical executive achieved superior results without significantly altering his long-term asset allocation guidelines.

An approach emphasizing active asset allocation combined with the use of superior equity and fixed-income managers can add even more in the way of incremental return.

As executives consider investment options for their plans, they should first focus on the possibility of incorporating a strategic asset allocation process into their management structure.

Such a process is achievable and will carry more impact on investment results than almost any other decision an executive may make. ■

*Michael E. Schroer is vice president at Renaissance Investment Management Inc., Cincinnati.*

Table 1

| | 1981 | 1982 | 1983 | 1984 | 1985 | Compound rate of return |
|---|---|---|---|---|---|---|
| Equity fund median | −2.2% | 22.4% | 19.6% | 1.5% | 30.0% | 13.6% |
| Bond fund median | 6.1 | 30.4 | 7.5 | 14.2 | 21.3 | 15.6 |
| Cash equivalents | 15.5 | 11.9 | 8.8 | 9.6 | 7.5 | 10.6 |
| 55/30/15 mix (rebalanced annually) | 2.9 | 23.2 | 14.4 | 6.5 | 24.0 | 13.9 |

Source: SEI Corp.

Table 2

| | 1981 | 1982 | 1983 | 1984 | 1985 | Compound rate of return |
|---|---|---|---|---|---|---|
| Equity fund 25th percentile | 3.1% | 25.8% | 24.1% | 6.2% | 33.3% | 17.9% |
| Bond fund 25th percentile | 8.7 | 33.8 | 8.8 | 15.1 | 23.7 | 17.6 |
| Cash equivalents | 15.5 | 11.9 | 8.8 | 9.6 | 7.5 | 10.6 |
| 55/30/15 mix (rebalanced annually) | 6.6 | 26.1 | 17.2 | 9.4 | 26.6 | 16.9 |

Table 3

| | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|
| Best | Cash | Bonds | Stocks | Bonds | Stocks |
| Middle | Bonds | Stocks | Cash | Cash | Bonds |
| Worst | Stocks | Cash | Bonds | Stocks | Cash |

Table 4

| | 1981 | 1982 | 1983 | 1984 | 1985 | 5-year average |
|---|---|---|---|---|---|---|
| Stocks | 45% | 55% | 65% | 45% | 65% | 55% |
| Bonds | 30 | 40 | 20 | 40 | 30 | 32 |
| Cash equivalents | 25 | 5 | 15 | 15 | 5 | 13 |

Table 5

| | 1981 | 1982 | 1983 | 1984 | 1985 | Compound rate of return |
|---|---|---|---|---|---|---|
| (55/30/15) mix +/− 10% each year using median managers | 4.7% | 25.1% | 15.6% | 7.8% | 26.3% | 15.6% |

Table 6

| | 1981 | 1982 | 1983 | 1984 | 1985 | Compound rate of return |
|---|---|---|---|---|---|---|
| (55/30/15) mix +/− 10% each year using 25th percentile managers | 7.9% | 28.3% | 18.7% | 10.3% | 29.1% | 18.5% |

# Assets of top 100 . . .

*Continued from page 1*

money managers in this year's survey are Miller, Anderson and Sherrerd, with tax-exempt assets of $11.5 billion, up from fifth place last year; Lehman Management Co., $11.48 billion, which didn't rank among the top 25 last year; Scudder, Stevens & Clark, $11.3 billion, down from the No. 2 spot; Delaware Investment Advisers, $11.1 billion, dropping from third place; and Boston Co., $10.36 billion, up from 14th last year.

The 25 largest banks and trust companies and their subsidiaries reported a dramatic 33% increase in tax-exempt assets under management in the year ended Jan. 1. The top 25 reported $405.1 billion in tax-exempt assets as of Jan. 1, compared with $303.8 billion the previous year.

The five banks and trust companies and subsidiaries reporting the most in tax-exempt assets under management as of Jan. 1 are Wells Fargo & Co., with $53.9 billion, up from third place last year; J.P. Morgan Investment Management Inc., retaining second place with $48.2 billion; Bankers Trust — Investment Management Group, $46.9 billion, which ranked first last year; Mellon Bank, retaining fourth place with $35.9 billion; and State Street Bank and Trust, up from ninth place, with $23.6 billion.

Four of the top five are prominent in the management of index funds, an investment approach favored by pension funds last year.

The 25 largest insurance companies and subsidiaries reported $399.5 billion in tax-exempt assets under management as of Jan. 1, a 14.2% increase from the previous year's total of $349.7 billion.

The five largest insurers and their subsidiaries are Prudential Insurance Co., retaining its top spot with $76.2 billion in tax-exempt assets under management as of Jan. 1; Metropolitan Life Insurance, $51.5 billion, up from third place; Aetna Life & Casualty Co., $38.9 billion, up from fourth; Equitable Life Assurance Society, $37.5 billion, dropping from second; and The New England, $26.3 billion, which ranked 26th last year.

A look at the average asset mix of tax-exempt assets shows, once again, that the smaller manager continues to invest most heavily in equities. That's largely because smaller managers tend to specialize in one investment medium, such as stocks, while larger managers often offer a full range of investment vehicles.

The average asset mix of the tax-exempt assets of the top 200 money managers showed only slight changes. The composite asset mix as of Jan. 1 (with percentages for a year earlier in parentheses) for the top 200 was: stocks, 48% (49%); bonds, 30% (29%); cash, 10% (9%); equity real estate, 6% (7%); mortgages, 1% (2%); mortgage-backed securities, 2% (unchanged); and other asset classes, 3% (2%).

Among all managers (except Canadians) surveyed, the average asset mix as of Jan. 1 (with last year's in parentheses) was: stocks, 54% (55%); bonds, 23% (24%); cash, 10% (unchanged); equity real estate, 6% (5%); mortgages, 1% (2%); mortgage-backed securities, 2% (1%); and other classes, 4% (3%).

The composite asset mixes by adviser category were as follows:

- Independent investment advisers: stocks, 57% (56%); bonds, 20% (22%); cash, 10% (unchanged); equity real estate, 6% (5%); mortgages, 1% (2%); mortgage-backed securities, 2% (1%); and other, 4% (unchanged).
- Insurance company separate accounts and their subsidiaries: stocks, 52% (46%); bonds, 22% (21%); cash, 11% (12%); equity real estate, 7% (9%); mortgages, 3% (6%); mortgage-backed securities, 1% (2%); and other, 4% (unchanged).
- Banks, trust companies and their subsidiaries: stocks, 45% (48%); bonds, 34% (36%); cash, 11% (unchanged); equity real estate, 4% (1%); mortgages, 1% (unchanged); mortgage-backed securities, 2% (unchanged); and other, 3% (1%).

The composite tax-exempt asset mix among Canadian managers showed an increase in Canadian equities but a slight decline in U.S. stocks: Canadian equities, 36% (33%); bonds, 36% (38%); cash, 8% (11%); equity real estate, 4% (unchanged); mortgages, 3% (unchanged); U.S. equities, 8% (10%); and other, 5% (1%).

The Canadian investment managers surveyed this year reported $48.08 billion in total tax-exempt assets under management. The five leaders were Jarislowsky, Fraser & Co., with $4.2 billion; Toronto Investment Management, $3.7 billion; Confed Investment Counselling Ltd., $2.72 billion; Beutel Goodman & Co. Ltd., $2.4 billion; and Morguard Investments Ltd., $2.39 billion. ■

# Execs . . .

*Continued from page 6*

salaries and bonuses.

- Limits on a person's salary exist in 15% of the firms.
- About 93% of the firms pay annual incentive compensation or bonuses to investment personnel. The "vast majority" base bonuses on profitability of the firm.
- About 25% of the firms have formal employment contracts for key personnel.
- Equity ownership is offered to employees in nearly 45% of the organizations responding to the survey.
- About 10% of the firms have gone public or plan to within the next year.
- Firms responding to the survey said they experienced an average 52% increase in tax-exempt assets under management in 1986.
- The respondents had an average of 12 male and nine female employees in investment management positions. An average of eight male and three female key employees were in essential investment and marketing personnel positions. ■

International advisers: June 29.

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Pensions & Investment Age

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# California fights Standard buy-out

**By Marcia Parker**

SACRAMENTO, Calif. — The $37.7 billion California Public Employees' Retirement System, a large stockholder in Standard Oil Co., is considering legal action that could derail British Petroleum Co.'s $7.7 billion bid for Standard Oil.

Greta Marshall, investment manager for the California employees fund, Sacramento, opposes London-based BP's final $71.50-per-share plus warrants offer for Standard Oil. She has written to Robert P. Horton, Standard's chairman, and to the members of the special committee of outside directors who examined and recommended the BP offer, urging them to reconsider.

She is also trying to stir support among other large public pension funds that are big stakeholders in the Cleveland company.

So far, Ms. Marshall's letter-writing campaign has generated no support from the outside directors. All declined to talk to California's General Counsel Richard H. Koppes, or his staff, or *Pensions & Investment Age*. The directors referred all calls to the special committee's counsel, Sam Butler of Cravath Swaine & Moore in New York, and George Dunn, Standard Oil vice president and general counsel. Both declined comment.

The outside directors are Elizabeth Bailey, dean of the Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh; Douglas Danforth, chairman, Westinghouse Electric Corp., Pittsburgh; Joseph Gorman, president, TRW Inc., Cleveland; and Charles Knight, Emerson Electric Co., St. Louis.

Ms. Marshall hasn't won substantial support from the other major public pension funds. Most of the public funds that received copies of the letter to the outside directors have sold their Standard Oil stock, reaping large profits.

The funds that have sold their holdings include the $13.2 billion Teacher Retirement System of Texas, Austin, which owned 951,900 shares; the $20.2 billion New York State Teachers' Retirement System, Albany, which owned 862,300 shares; and the Public Employees' Retirement Association of Colorado, Denver, which owned 463,900 shares.

"We made a $21 million profit. We sold most of it on the open market and tendered the rest. We felt satisfied with the offer," said Joseph Perrone, chief investment officer of the Texas fund.

But the lack of support has not stopped Ms. Marshall.

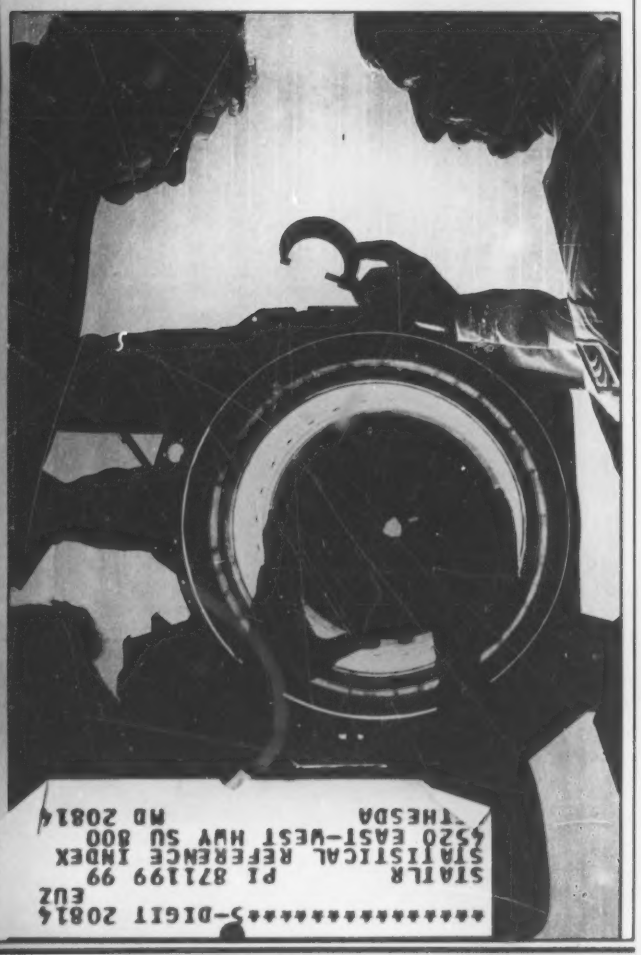
"We intend to see if we can

*Continued on page 50*

*The California employees' fund says Standard Oil Co. stockholders are being shortchanged by British Petroleum Co.'s offer.*

## Inside:

CORPORATE FINANCE: Neoax Inc., whose Superior Air Parts unit is shown below, is on the prowl for companies to add to its growing family. It's trying to build equity to support its acquisitive nature — Page 15.




# Pension/inventory link may raise funding cost

**By Joel Chernoff**

NEW YORK — Companies must allocate a portion of their pension costs to inventory costs under a little-noted provision in last year's tax law.

This means the pension costs will be capitalized during the period it takes to sell off the manufactured items.

The change in treatment of pension costs may result in short-term increases in taxes and deferral of pension deductions for numerous companies, particularly manufacturers and retailers, in effect boosting their pension costs.

The 1986 Tax Reform Act requires companies to include normal pension costs in inventory as an indirect cost, among a host of similar changes in the uniform capitalization rules enacted by Congress last year. The changes, however, do not affect pension costs for past service liabilities.

In a revenue-raising move, Congress required companies to revalue their inventories for tax years beginning Jan. 1. Companies are allowed, however, to spread out the effect of that change over four years.

Because of that revaluation requirement, the Treasury Department will reap a "one-shot" gain where those changes boost the value of inventories, said Ethan Kra, principal and actuary at William M. Mercer-Meidinger-Hansen Inc., New York.

Inventories will be boosted by the amount of the includable pension costs. Because gross income equals net sales plus changes in inventory, companies with expanding inventories will face rising tax bills in the next several years.

The uniform capitalization rules are expected to raise $4.1 billion in new revenue this year; $7 billion in 1988; $7.4 billion in 1989; $7.7 billion in 1990; and $6 billion in 1991. A breakdown of how much revenue the pension provisions will raise was not available.

Before the passage of last year's tax law, employers had been required to include in inventory costs all direct production costs, such as materials and labor costs. While inclusion of some indirect costs also was required, pension contributions were not.

*Continued on page 50*

# 5% tax on plans aired

**By Nicky Robertshaw**

WASHINGTON — Congress should consider placing a 5% federal tax on investment income earned by pension plans, and further reduce the amounts employers can contribute to such plans, according to a study by the Congressional Budget Office.

The study said such actions could help finance other pension law changes that would broaden the distribution of pension benefits to lower-income employees, frequent job changers and the elderly poor.

But the study also said such changes could be used to "achieve non-retirement objectives such as a lower deficit, a further lowering of tax rates or increases in other spending programs."

In addition, the study suggested requiring employers to index deferred annuities in defined benefit plans for inflation, and requiring employers to adopt 401(k) salary reduction plans.

The study found tax incentives now are skewed toward high-income and long-term workers. Social Security combined with private retirement benefits enables lower-income workers to achieve roughly the same proportion of pre-retirement income as better-paid employees. The retirement benefits of a worker who fails to achieve 20 years under a single pension plan are only 25% to 50% as large as those of the worker who stays 20 years or more.

The study was made at the request nearly four years ago of Sen. Robert Dole, R-Kan., when he served as chairman of the Senate Finance Committee. Sen. Dole now serves as Senate minority leader.

The study was designed to take a broader look at the effects of recent legislative changes. Specifically, it was to explore who gains the most from current tax benefits, how much saving is boosted by tax incentives, the relative advantages of defined benefit and defined contribution plans, and

*Continued on page 49*

# NYC divests stocks of 9 companies

By Trudy Ring

NEW YORK — The $12.5 billion New York City Employees' Retirement System has sold about $86 million worth of stock in nine companies that violate the city's guidelines for companies operating in South Africa.

The action brings the total sale of stock under the system's divestiture program to $178.9 million in 26 companies.

In the most recent sale, stock of six of the companies was divested because the companies violated Phase I of the anti-apartheid program by selling goods to the South African government, military, police or quasi-governmental agencies. The stock of the other three companies was sold because those companies violated Phase II of the program by failing to submit to independent monitoring of their activities in South Africa.

In announcing the sale, Comptroller Harrison J. Goldin said these companies' activities made them poor investment risks as well as socially undesirable.

"I am disappointed that more American companies have not on their own realized what we investors have: short-term profits in the South African slave market ill serve long-term stability and economic growth," he said.

Stocks sold under Phase I were **American Cyanamid Co.**, 36,300 shares at $7.8 million; **Dresser Industries Inc.**, 162,700 shares at $4.3 million; **Joy Manufacturing Co.**, 48,050 shares at $1.7 million; **Monsanto Co.**, 151,100 shares at $11.9 million; **Royal Dutch Petroleum Co.**, 303,700 shares at $36.5 million; and **Schlumberger Ltd.**, 404,268 shares at $17.1 million.

Royal Dutch sells to the South African police and military and Schlumberger to the government, while the others sell to quasi-governmental energy commissions, said Jon Lukomnik, a spokesman for the comptroller's office.

The sale of Royal Dutch means the system loses votes at a time when Mr. Goldin and other institutional investors are trying to rally shareholder support for a special meeting on Royal Dutch's South African operations. Mr. Lukomnik said some institutions were not happy with New York's action, but it was necessary to keep the system's divestiture program on schedule.

Other New York City pension funds, which have a similar divestiture program, are somewhat behind this schedule and still hold at least 355,000 shares of Royal Dutch. They have pledged their support in the call for the special meeting.

The $11.7 billion New York City Teachers' Retirement System and the $825 million Ministers and Missionaries Benefit Board of the American Baptist Churches took the lead in issuing the call, but other New York City pension funds supported it (*Pensions & Investment Age*, April 6).

To call the special meeting, holders of 10% of Royal Dutch's stock, or about 4.8 million shares, must pledge their support. Mr. Lukomnik said close to half that amount has been pledged. There is no deadline.

Sold under Phase II were **Air Express International Corp.**, 36,300 shares at $568,565; **Echlin Inc.**, 134,800 shares at $3 million; and **Timken Co.**, 58,600 shares at $3.1 million. These companies have not endorsed the Sullivan Principles, a code of non-discriminatory conduct for business operations in South Africa, Mr. Lukomnik said.

The fund realized a gain of $32.4 million on the sales. The sales complete the first two phases of the system's divestiture, begun in 1984. Fund officials hope to complete Phases III and IV by the end of this year.

Under the third phase, companies' stock

*Continued on page 48*

# Fund diversion is alleged

## U.S. says 3 converted $681,000 for own use

By Trudy Ring

CHICAGO — The U.S. attorney's office in Chicago has charged three men with ERISA violations and other crimes after the three allegedly diverted $681,000 of DuPage Boiler Works' profit-sharing assets to their own use.

The three are Morton Scherl, who had been chairman of the DuPage Boiler Works, Naperville, Ill., and sole trustee of the fund; William B. Goodstein, former secretary of the company; and Jack Eberwein, former vice president. The boiler works, which once employed 50 people, went bankrupt and closed in 1986.

The Department of Labor also has filed a civil suit against Messrs. Scherl and Goodstein, charging they violated the Employee Retirement Income Security Act's prohibited transaction and conflict of interests provisions.

The criminal indictment, returned against the men May 20 as a result of the investigation by the U.S. attorney's office and other agencies, charges Messrs. Scherl and Goodstein mutually committed bankruptcy fraud when Mr. Scherl, using the name Robert Caldwell, bought an interest in The Paine Co., a Chicago-based fastener company, in which Mr. Goodstein also held an interest.

At the time of the purchase, September 1983, Paine was being reorganized under bankruptcy laws and allegedly owed $300,000 to Foothill Capital Corp., Des Plaines. Paine was liquidated in December 1985.

The indictment alleges after Mr. Scherl bought DuPage Boiler Works, he and Mr. Goodstein entered agreements to repay Paine's debt to Foothill. At the time, the boiler works had about $741,000 in profit-sharing assets.

Through a series of letters, telephone calls and wire transfers, Messrs. Scherl, Goodstein and Eberwein converted $681,000 to their own use, in violation of ERISA, the indictment alleges. Mr. Scherl is charged with converting $681,000, Mr. Goodstein, $299,000 and Mr. Eberwein, $1,000. While Mr. Scherl is charged with converting the entire amount, Messrs. Goodstein and Eberwein are charged with involvement in the conversions of those portions of the total.

A large part of Paine's debt to Foothill allegedly was paid with DuPage profit-sharing assets.

The indictment also alleges the three men caused about $50,000 in discounts and penalties to be imposed on the profit-sharing fund in its transfer to Illinois banks from Union Mutual Life Insurance Co. (now UNUM Corp.), Portland, Maine. The assets were in a guaranteed annuity contract.

Mr. Goodstein also allegedly borrowed money from an escrow account under his control and replaced it with profit-sharing assets while trying to keep Foothill from foreclosing Paine's debt.

The boiler works had no other retirement plan, so the beneficiaries are receiving nothing now, said Joan Bainbridge Safford, one of the assistant U.S. attorneys who coordinated the investigation.

Mr. Scherl is charged with two counts of bankruptcy fraud, 17 counts of mail fraud, eight counts of wire fraud, one count of ERISA fraud, two counts of obstruction of justice and one count of escape. He has been missing since Oct. 9.

Mr. Goodstein is charged with 16 counts of mail fraud, seven counts of wire fraud, one count of ERISA fraud and two counts of bankruptcy fraud.

Mr. Eberwein is charged with one count of wire fraud and one count of ERISA fraud.

Each count carries a maximum penalty of five years in jail and a $250,000 fine, plus restitution.

The Labor Department's suit, filed May 22 in U.S. District Court in Chicago, makes much the same allegations concerning the activities of Messrs. Scherl and Goodstein. It does not name Mr. Eberwein as a defendant.

It does call for the appointment of an interim trustee to investigate other possible improprieties in relation to the profit-sharing plan and to administer the plan.

The Labor Department seeks reimbursement for the plan's losses and indemnification against further losses. It also seeks to bar Messrs. Scherl and Goodstein from being fiduciaries of any ERISA plan. ■

Photo by Arnie Adler

*Maggie and Jim Carey of Dean Witter Reynolds Inc.*

# Wall Street niche carved by couple

By Marcia Parker

NEW YORK — A little more than two years ago, Jim and Maggie Carey pitched themselves as a package deal to Dean Witter Reynolds Inc. The Wall Street firm bought it — and them.

The husband and wife team run the 75-person mortgage-backed securities department at Dean Witter, which is owned by Sears, Roebuck & Co.

Mr. Carey, a red-haired Irishman with a jovial manner, is senior vice president and manager. He is responsible for managing the department's trading, mortgage-backed re-

*Continued on page 48*

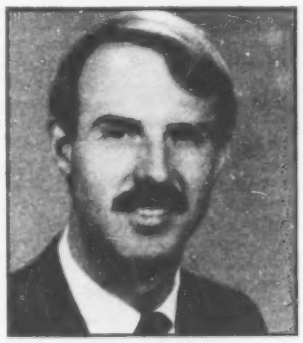
# *3 take on pension positions*

One corporate pension executive recently switched jobs and two public pension funds have filled top-level vacancies.

Philip A. Goodrich, formerly assistant treasurer at Joseph E. Seagram & Sons Inc., New York, has been named assistant treasurer at General Signal Corp., Stamford, Conn.

Charles H. Webb has rejoined the $6 billion Tennessee Consolidated Retirement System as chief investment officer, replacing the late Dewey Collins Jr.

And Michael P. Heitzmann has been named executive director of



*Charles H. Webb has rejoined the Tennessee Consolidated Retirement System.*

the roughly $370 million Denver Employees' Retirement Plan, effective June 1.

Mr. Goodrich, who worked at Seagram for six years, said he left to pursue "positive and challeng-

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# Real Estate

## Co-investing provides alternative

By John Covaleski

Disillusioned by the lack of investor control provided by traditional commingled real estate funds, but lacking the assets to acquire prime property themselves, some pension funds are turning to co-investing with other institutional investors.

Like commingled funds, co-investments combine investors' assets to acquire major properties and spread risk. But unlike the pools, co-investing allows pension funds to select specific investment properties and partners.

Pension officials generally combine fund assets with those of other pension funds or insurance companies and, occasionally, with trusts or commingled pools operated by asset managers.

Thomas D. Rollinger, assistant treasurer at Pacific Lighting Corp., Los Angeles, said, "In co-investing you have control in picking properties; in commingled funds, you have a small piece in a large number of properties and the fund is run the way the fund (manager) wants to run it."

Paul Saylor, principal at Institutional Property Consultants Inc., Atlanta, said, "Co-investing gives pension funds the security of investing side by side with other investors much like themselves, and at the same time, they are not giving up so much discretion to managers. There's a whole lot of interest in it now."

Investment managers bring pension funds together in co-investments, but it is the pension funds that decide in which properties to invest.

Managers of pooled funds collect investment assets and buy properties themselves.

Among the leading users of real estate co-investing is the $9.1 billion Alaska Permanent Fund Corp., Juneau, whose $363 million invested in real estate consists of $244 million in co-investments.

The fund's real estate investment return for the 12 months ended Sept. 30 was 14.5%, compared with 10.5% for its overall investment portfolio during the same period.

(Real estate returns for the year ended Dec. 31 will be released following a reappraisal of the fund's property holdings.)

Richard E. Alexander, investment officer at the Alaska fund, credits the performance of its co-investment holdings for the higher real estate return, adding co-investing has helped diversify the fund into property types it couldn't hold otherwise.

State law in Alaska prohibits the Alaska Permanent fund from owning more than 40% of any property. But through co-investing, the fund can own a bigger investment share in properties and thereby realize a bigger portion of the properties' returns.

Some major co-investments, all funded since 1984, include:

- The $970 million Pacific Lighting pension fund, Alaska Permanent, Real Estate Fund II managed by Heitman Advisory Corp., Chicago, and some undisclosed foreign groups hold 50% of the equity interest in the $174 million St. Louis Center retail and office project. Melvin Simon & Associates, an Indianapolis real estate company, and May Department Stores, St. Louis, own the other 50%.
- Pacific Lighting and Alaska Permanent last year became co-owners of the $39.4 million Villa Marina Shopping Center in Marina Del Rey, Calif.
- The $6.3 billion Southwestern Bell Corp. pension fund, St. Louis, the $26 billion American Telephone & Telegraph Co. pension fund, New York, and several undisclosed investors are co-owners of a $50 million Pittsburgh shopping center.
- The $18 billion Wisconsin State Board of Investment, Madison, the $15 billion Teacher Retirement System of Texas, Austin, and Alaska Permanent last year provided a $99 million take-out mortgage to the Rouse Co., Columbia, Md., for construction of the Owings Mill (Md.) Town Center shopping complex.
- The Wisconsin fund and Equitable Life Assurance Society of the United States, New York, last year became co-owners of the equity interests in the $63 million Berkshire Mall, Reading, Pa., and a $43 million office project in Minnetonka, Minn.
- The $2.2 billion Atlantic Richfield Co. pension fund, Los Angeles; Alaska Permanent; the British Gas PLC pension fund and undisclosed investors own Tysons Corner shopping mall in McLean, Va.

The mall was acquired in 1985 for $168 million.

- The $40 billion California Public Employees' Retirement System, Sacramento,

*Continued on page 25*

## Year-end returns reflect volatility

By Steve Hemmerick

Some pooled real estate funds beat the Standard & Poor's 500 stock index during calendar 1986, while others slipped as much as nine percentage points below the return for Treasury bills, considered a riskless investment, according to Pensions & Investments' Performance Evaluation Report for the periods ended Dec. 31.

"I think the spread on real estate returns is the widest it has ever been," said Warren Hamer, director of sales for New York-based Corporate Property Investors real estate investment trust, one of the best-performing funds with a 20.5% return for the year.

Besides the CPI fund, those that beat the S&P 500 return of 18.7% for 1986 included Citicorp Investment Management, New York, real estate fund with a 19.1% return; LaSalle Advisors Inc., Chicago, Fund II with 20.6% and Metropolitan Life, New York, Fund II with 18.8%.

The returns are considered particularly high by investors because real estate was slumping, while the stock market continued to be bullish in 1986.

Other pooled real estate returns, however, gave investors negative annual returns or at least returns below the 6.12% T-bill rate.

The gap in fund performance underscored the diversity of returns for different property types and different geographic areas. In general, the best returns came from pooled funds holding large properties in the Northeast.

PIPER figures showed open-end funds in the fifth decile had returns in the 9.3% to 9.8% range for 1986; closed-end funds ranked in the fifth decile returned 9.3% to 10.1%.

Considering inflation for the year was 1.1%, a return of about 9% for real estate was "outstanding," said Alan Emkin, a consultant with Wilshire Associates, Santa Monica, Calif. He said pension funds typically expect a return of 3% above the inflation rate, and about half the real estate funds returned twice that.

The $2.2 billion Corporate Property fund return of 20.5% was the highest one-year return for all open-end funds and is calculated after deduction of fees.

According to the FRC Property Index, the highest returns for real estate have been coming from large mall properties and properties generally in the Northeast.

The Corporate Property fund is invested 81% in superregional malls, and 40% of its assets are invested in the Northeast, said Mr. Hamer. The fund's properties are between 95% and 100% occupied, and the average price paid for a property was $70 million.

Large malls are in such demand, said Mr. Hamer, they are being auctioned. Malls generally aren't built on speculation, he said, as are some smaller retail shopping and convenience centers, which are overbuilt.

For closed-end funds, the highest return scored was 20.6% by LaSalle Advisors' Fund II, which is heavily invested in large office buildings in the Northeast.

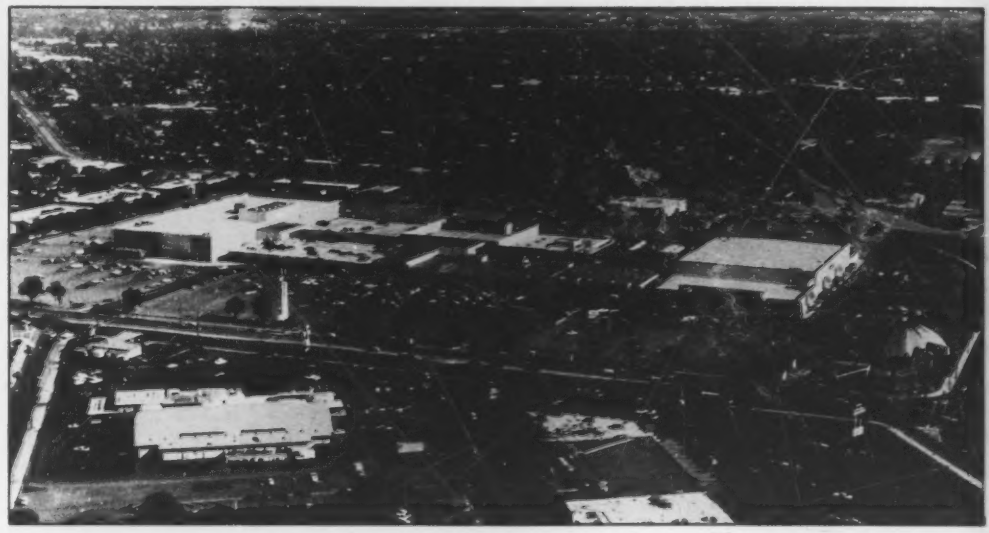
Other closed-end funds with high returns were Los Angeles-based TCW Realty Advisors Fund II, with a 17% return, just behind Metropolitan Life and LaSalle. Its Fund I, with a 13.2% return, fell into the second decile.

The TCW funds are generally considered to be low risk because almost all cash is paid for existing buildings, avoiding leverage and development risks.

High returns were scored for TCW's $220 million Fund II, said Vince Martin, managing partner, partly by buying substantial industrial properties in three unidentified cities where a shortage of space was expected to raise rental rates.

Rates did rise, said Mr. Martin, but he calls the market for indus-

*Continued on page 22*



*The Copley development fund includes an investment in this California shopping mall.*

## Building on bigger gains

### 11 investors enter Copley development fund

By John Covaleski

BOSTON — Commitments of $330 million from 11 investors in a closed-end fund that will invest 75% in developmental projects demonstrates a growing interest in diversifying investments as well as a willingness to take added risk for potentially higher returns.

Among those participating in the fund, managed by Copley Real Estate Advisors, Boston, are: the $5 billion Allied-Signal Inc. pension fund, Morristown, N.J., which committed $35 million; the $1.7 billion Rockefeller Foundation, New York, $10 million; the $1.5 billion Stanford University endowment fund, Palo Alto, Calif., $10 million; the $8 billion Oregon Public Employes Retirement System, Salem, $10 million; and the $290 million Commonwealth Fund, New York, $5 million. The $5.4 billion State of Connecticut Trust Funds, Hartford and the $556.5 million Dartmouth College endowment, Hanover, N.H. also committed to the fund, but the size of their investments isn't known.

The minimum investment for foundations and endowments is $5 million.

The Copley Institutional Investors Fund, which is now closed to investments, will be invested 75% in developmental projects, with an emphasis on developing warehouse-distribution, or light industrial sites, and 25% in existing properties.

Consultants said the developmental allocation is the highest among real estate funds.

Consultants and pension fund executives, who traditionally have preferred investing in existing properties, said the main concerns about developmental projects are the uncertainty of a project's success and the lack of liquidity because of the time required for developmental properties to be built, occupied and provide returns.

The Copley fund requires 15-year investment commitments, about five years longer than commitments of most other closed-end funds.

Edward T. Tokar, vice president-investments at Allied-Signal, said investing in the developmental projects "balances out our participation in more traditional forms of real estate investing." The Allied-Signal fund has about 6% of its assets in real estate, most of it in existing properties.

Mr. Tokar said the longer commitment and the added risk of untested developments are justified by higher projected return rates. John D. Phillips, a Copley principal, said the fund will return 20% on annualized basis.

The Frank Russell Co. Property Index for the five years ended Sept. 30 returned 11%.

Terry Canby, real estate investment officer for the Oregon Employes, said the Copley fund will provide diversification. He noted the Oregon fund has about 8% of its assets in real estate, of which 90% is in offices.

*Continued on page 25*

# Returns show . . .

*Continued from page 21*

trial properties throughout the nation "spotty."

For the $200 million TCW Fund I, he said, the strategy was to agree to buy office buildings in 1982 while the buildings were in the construction stage even though TCW's partners thought office building rents would take a dive.

The strategy included buying buildings where the final price to TCW would be based on effective rental rates when the buildings were occupied. When the buildings were completed, the lower-than-expected rental rates drove down the price of the buildings.

The lowest fund returns generally came after sharp reappraisals from funds with significant office properties in oil-economy states or with industrial properties in high-technology areas, according to real estate fund advisers.

Open-end funds with the lowest returns for 1986 were those of Seafirst Bank, Seattle, −3.8%; InterFirst Bank Dallas, −3.7%; John Hancock Financial Services, Boston, Equity Real Estate Account, −2%; and RepublicBank Dallas, −0.1%.

Seafirst Bank's Mel Brady, manager of real estate services, said he thinks the −3.8% return will be the "bottom" return for the $10 million fund. He said the low return results from excessively high vacancies at some properties.

The $550 million Hancock fund also may have hit bottom, said Kevin McGuire, president of John Hancock Property Investors Corp., Boston, which manages the Hancock fund.

He said the fund's decline came partly as a result of lessened year-end interest in real estate because of tax reform and because of the decline in oil prices, worsening the effect of overbuilding in energy belt cities.

Mr. McGuire added he couldn't say returns wouldn't drop further if the economy became depressed or if there was a lowering of interest rates.

He also said fund officials are determining ways of providing investors with liquidity for some of the assets while also increasing the return on the fund. He said plans could involve adding debt to the fund.

For closed-end funds, Coldwell Banker's Institutional Fund VII, Los Angeles, had in 1986 a −2.6% return and its Fund II had a −1.2% return, putting both Coldwell funds in the lowest decile.

Coldwell Banker Institutional Fund V with a 3.1% return finished in the ninth decile.

The low returns are a result of a downward valuation, according to Scott Tracy, a vice president with Coldwell Banker Capital Management Services, Los Angeles.

A few of the properties in the $54 million Fund VII did not lease as quickly as expected, but the properties are high quality, he said, and returns should bounce back.

Coldwell Fund II is almost liquidated, having only three properties left with a total value of about $12 million. For 10 years ended December 1986, Fund II had a return of 18.2% return, making it one of the highest-performing commingled funds.

Coldwell's Fund V, with $80 million in assets, "took a big hit" because a Houston property fell in value after reappraisal. Mr. Tracy said he expects the funds' returns to increase following the reappraisals. ■

## Real Estate open-end funds

### Periods ended Dec. 31

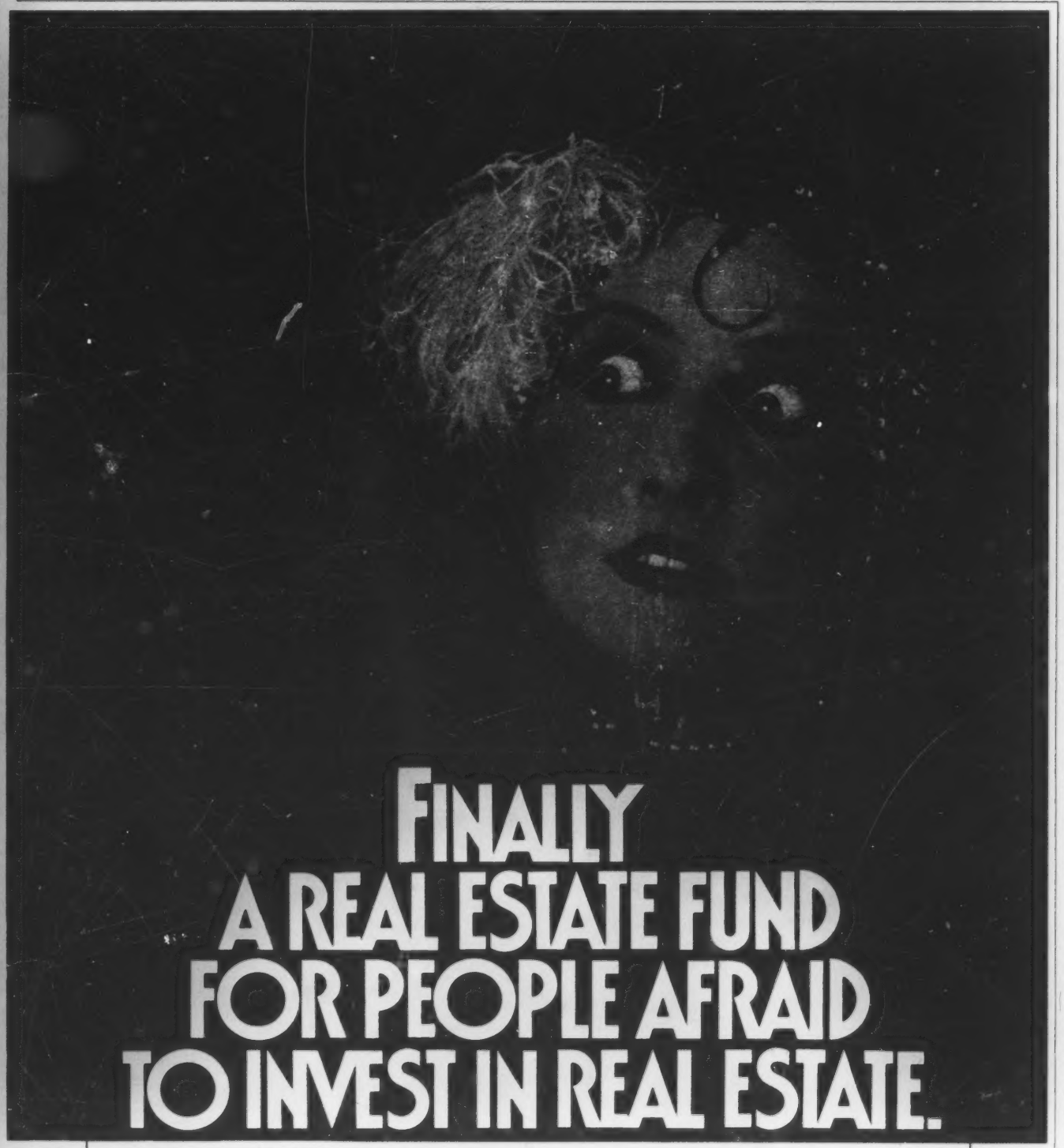
### 1-year returns

| | % |
|---|---|
| Corporate Property (REIT), N.Y. | 20.5 |
| Citicorp, N.Y. | 19.1 |
| Chase Manhattan, N.Y. | 17.6 |
| Copley (Dev. Prop.), Mass. | 16.8 |
| Morgan Guaranty, N.Y. | 16.0 |
| Phoenix Mutual, Conn. | 12.5 |
| NCNB Natl. Bank, N.C. | 11.6 |
| Wells Fargo Realty, Calif. | 11.3 |
| Prudential (MORISA), N.J. | 11.3 |
| Bank One Trust Columbus | 11.2 |
| Canada Life Assurance | 11.0 |
| Prudential (PRIMOR), N.J. | 10.9 |
| Bank of Boston, Mass. | 10.5 |
| Metropolitan Life (Tower), N.Y. | 10.5 |
| Third Natl. Nashville | 10.1 |
| Southland Trust (SREEF), Texas | 10.0 |
| Aetna Life & Cas. (PMSA) | 9.8 |
| Harris Trust (Inc. Prop. F), Ill. | 9.7 |
| Metropolitan Life, N.Y. | 9.7 |
| Chemical Bank, N.Y. | 9.3 |
| United Virginia Bank | 9.1 |
| CIGNA Corp., Conn. | 8.7 |
| Travelers, Conn. | 8.6 |
| Equitable Life (Prime Prop.), N.Y. | 8.4 |
| Wachovia Bank, N.C. | 8.4 |
| Principal Mutual Life, Iowa | 8.1 |
| Massachusetts Mutual | 7.8 |
| Aetna Life & Cas. (RESA), Conn. | 7.7 |
| Sun Bank, Fla. | 6.9 |
| Prudential (PRISA), N.J. | 6.2 |
| Lloyds Bank (F), Calif. | 5.2 |
| First of Chicago (F), Ill. | 5.2 |
| First of Minneapolis | 4.2 |
| Mutual Benefit Life (VCA-5), N.J. | 3.4 |
| New York Life (S.A. 3), N.Y. | 1.9 |
| **Consumer Price Index** | **1.1** |
| RepublicBank Dallas | −0.1 |
| John Hancock, Mass. | −2.0 |
| InterFirst Bank Dallas | −3.7 |
| Seafirst Bank, Wash. | −3.8 |

### 3-year returns

| | % |
|---|---|
| Copley (Dev. Prop.), Mass. | 20.0 |
| Corporate Property (REIT), N.Y. | 19.9 |
| Phoenix Mutual, Conn. | 16.2 |
| Chase Manhattan, N.Y. | 15.8 |
| Citicorp, N.Y. | 15.6 |
| NCNB Natl. Bank, N.C. | 15.2 |
| Morgan Guaranty, N.Y. | 14.8 |
| Prudential (MORISA), N.J. | 14.7 |
| Canada Life Assurance | 14.6 |
| Southland Trust (SREEF), Texas | 13.5 |
| Prudential (PRIMOR), N.J. | 13.4 |
| Metropolitan Life, N.J. | 12.7 |
| CIGNA Corp., Conn. | 12.4 |
| Metropolitan Life (Tower), N.Y. | 12.3 |
| Bank One Trust Columbus | 12.2 |
| Mutual Benefit Life (VCA-5), N.J. | 12.0 |
| Aetna Life & Cas. (PMSA) | 11.9 |
| Wachovia Bank, N.C. | 11.6 |
| Chemical Bank, N.Y. | 11.4 |
| Bank of Boston, Mass. | 11.3 |
| Harris Trust (Inc. Prop. F), Ill. | 11.0 |
| Wells Fargo Realty, Calif. | 11.0 |
| United Virginia Bank | 10.7 |
| Equitable Life (Prime Prop.), N.Y. | 10.7 |
| Principal Mutual Life, Iowa | 10.5 |
| Massachusetts Mutual | 10.3 |
| First of Minneapolis | 10.2 |
| Aetna Life & Cas. (RESA), Conn. | 10.1 |
| Prudential (PRISA), N.J. | 9.8 |

*Continued on page 24*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*Continued from page 22*

Sun Bank, Fla. ....9.7
Third Natl. Nashville ....9.7
First of Chicago (F) ....9.6
Travelers, Conn. ....8.7
Lloyds Bank (F), Calif. ....7.1
RepublicBank Dallas ....7.1
New York Life (S.A. 3) ....6.7
John Hancock, Mass. ....5.3
InterFirst Bank Dallas ....5.2
Seafirst Bank, Wash. ....4.0
**Consumer Price Index ....2.9**

### 5-year returns

| | % |
|---|---|
| Morgan Guaranty, N.Y. | 17.4 |
| Phoenix Mutual, Conn. | 15.7 |
| Southland Trust (SREEF), Texas | 15.6 |
| Corporate Property (REIT), N.Y. | 15.6 |
| Prudential (MORISA), N.J. | 15.6 |
| NCNB Natl. Bank, N.C. | 15.4 |
| Chase Manhattan, N.Y. | 15.1 |
| Prudential (PRIMOR), N.J. | 14.9 |
| Canada Life Assurance | 14.5 |
| Aetna Life & Cas. (PMSA), Conn. | 14.4 |
| Mutual Benefit Life (VCA-5), N.J. | 14.3 |
| Metropolitan Life, N.Y. | 13.6 |
| CIGNA Corp., Conn. | 13.5 |
| Chemical Bank, N.Y. | 13.3 |
| Metropolitan Life (Tower), N.Y. | 13.0 |
| Bank One Trust Columbus | 12.2 |
| Bank of Boston, Mass. | 12.2 |
| Citicorp, N.Y. | 12.0 |
| First of Minneapolis, Minn. | 11.9 |
| Equitable Life (Prime Prop.), N.Y. | 11.8 |
| Wachovia Bank, N.C. | 11.4 |
| First of Chicago (F) | 10.9 |
| Sun Bank, Fla. | 10.8 |
| Wells Fargo Realty, Calif. | 10.6 |
| Massachusetts Mutual | 10.6 |
| Aetna Life & Cas. (RESA), Conn. | 10.6 |
| Principal Mutual Life, Iowa | 10.5 |
| Third Natl. Nashville | 9.5 |
| Prudential (PRISA), N.J. | 9.2 |
| RepublicBank, Dallas | 9.0 |
| InterFirst Bank Dallas | 8.9 |
| Travelers, Conn. | 8.7 |
| John Hancock, Mass. | 7.5 |
| Seafirst Bank, Wash. | 6.4 |
| New York Life (S.A. 3), N.Y. | 5.7 |
| **Consumer Price Index** | **3.3** |

### 10-year returns

| | % |
|---|---|
| Corporate Property (REIT), N.Y. | 20.0 |
| Morgan Guaranty, N.Y. | 18.2 |
| Wachovia Bank, N.C. | 15.1 |
| Prudential (PRISA), N.J. | 14.3 |
| NCNB Natl. Bank, N.C. | 13.8 |
| Metropolitan Life, N.Y. | 13.6 |
| Equitable Life (Prime Prop.), N.Y. | 12.9 |
| Wells Fargo Realty, Calif. | 12.4 |
| Bank of Boston, Mass. | 12.2 |
| First of Chicago (F) | 12.0 |
| Travelers, Conn. | 11.7 |
| John Hancock, Mass. | 10.7 |
| **Consumer Price Index** | **6.6** |

## Real Estate closed-end funds

### Periods ended Dec. 31

### 1-year returns

| | % |
|---|---|
| LaSalle Advisors (LF II), Ill. | 20.6 |
| Metropolitan Life (II), N.Y. | 18.8 |
| TCW Realty Advisors (II), Calif. | 17.2 |
| JMB Institutional (I) | 17.0 |
| JMB Institutional (II) | 15.8 |
| John Hancock (SERA 1), Mass. | 13.9 |
| TCW Realty Advisors (I), Calif. | 13.2 |
| State Street Bank (I), Mass. | 12.9 |
| Equitec (I), Calif. | 12.8 |
| JMB Institutional (III) | 12.5 |
| CIGNA Corp., Conn. | 11.8 |
| LaSalle Advisors (LSF), Ill. | 11.7 |
| RREEF (West III) | 11.4 |
| Aetna Life & Casualty (CERESA I) | 11.1 |
| RREEF (Mid-Am./East IV) | 10.6 |
| Landauer Advisors (I), N.Y. | 10.1 |
| Equitable Life (New prop), N.Y. | 10.1 |
| RREEF (Mid-Am. III) | 9.8 |
| State Street Bank (II), Mass. | 9.7 |
| RREEF (West V) | 9.3 |
| Aetna Life & Casualty (CERESA II) | 9.2 |
| RREEF (West IV) | 9.0 |
| RREEF (Mid-Am. II) | 9.0 |
| Metropolitan Life (I), N.Y. | 8.4 |
| Coldwell Banker (VIII) | 7.3 |
| Coldwell Banker (IV) | 7.3 |
| Sarofim Trust (SIRF P-I) | 7.2 |
| State Street Bank (III), Mass. | 6.1 |
| RREEF (West I) | 5.8 |
| RREEF (West II) | 5.6 |
| RREEF (Mid-Am. I) | 5.5 |
| Coldwell Banker (III) | 4.8 |
| RREEF (USA III) | 4.5 |
| Coldwell Banker (VI) | 4.4 |
| RREEF (USA I) | 4.1 |
| RREEF (West VI) | 3.4 |
| Coldwell Banker (V) | 3.1 |
| Coldwell Banker (II) | 1.2 |
| **Consumer Price Index** | **1.1** |
| RREEF (USA II) | 0.6 |
| Coldwell Banker (VII) | -2.6 |

### 3-year returns

| | % |
|---|---|
| JMB Institutional (I) | 20.2 |
| John Hancock (SERA 1), Mass. | 17.4 |
| State Street Bank (I), Mass. | 16.0 |
| Aetna Life & Casualty (CERESA I) | 15.2 |
| Coldwell Banker (V) | 14.8 |
| Landauer Advisors (I), N.Y. | 14.1 |
| LaSalle Advisors (LSF), Ill. | 14.0 |
| Sarofim Trust (SIRF P-I) | 13.6 |
| Equitable Life (New prop), N.Y. | 12.3 |
| RREEF (Mid-Am. II) | 11.8 |
| CIGNA Corp, Conn. | 11.4 |
| RREEF (West III) | 11.2 |
| State Street Bank (II), Mass. | 9.6 |
| Coldwell Banker (II) | 9.4 |
| Coldwell Banker (IV) | 9.4 |
| RREEF (West II) | 9.0 |
| Metropolitan Life (I), N.Y. | 8.8 |
| RREEF (USA I) | 8.7 |
| RREEF (West IV) | 7.8 |
| Coldwell Banker (III) | 7.6 |
| RREEF (West I) | 7.3 |
| Coldwell Banker (VI) | 7.2 |
| Coldwell Banker (VII) | 7.0 |
| RREEF (Mid-Am. I) | 6.7 |
| RREEF (USA II) | 4.1 |
| **Consumer Price Index** | **2.9** |

### 5-year returns

| | % |
|---|---|
| JMB Institutional (I) | 18.8 |
| LaSalle Advisors (LSF), Ill. | 15.6 |
| Coldwell Banker (V) | 13.7 |
| RREEF (Mid-Am. II) | 13.5 |
| RREEF (West III) | 12.3 |
| Coldwell Banker (II) | 11.9 |
| Coldwell Banker (IV) | 11.7 |
| RREEF (West II) | 10.4 |
| RREEF (USA I) | 10.4 |
| RREEF (West I) | 9.6 |
| Coldwell Banker (VI) | 9.3 |
| Coldwell Banker (III) | 9.0 |
| RREEF (USA II) | 8.9 |
| RREEF (Mid-Am. I) | 8.5 |
| RREEF (West IV) | 8.4 |
| **Consumer Price Index** | **3.3** |

### 10-year returns

| | % |
|---|---|
| Coldwell Banker (II) | 18.7 |
| RREEF (West I) | 15.8 |
| **Consumer Price Index** | **6.6** |


# At NCNB, We Follow The Philosophy Of The Pharaohs.

They knew two things were critical to solid real estate investments. Quality construction and teamwork. Given the enduring results of that way of thinking, NCNB insists on it too.

Our experienced team of development, architectural, construction, and property management specialists work exclusively with high-quality properties, located primarily in the Southeast. And our dedication to quality and teamwork has paid substantial dividends.

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*As reported by CDA Investment Technologies, Inc. for the period ending 12/31/85.

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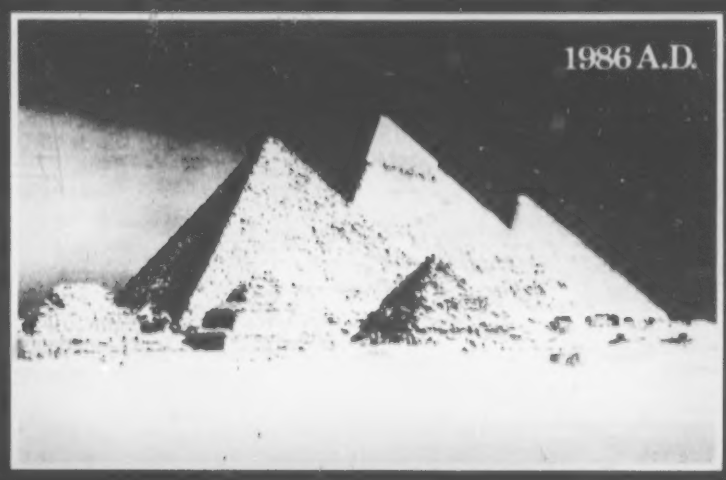



NCNB REAL ESTATE FUND


## Wrap-up

### New allocations eyed

SAN MATEO, Calif. — It's time to begin rebuilding real estate portfolios, according to analysts with Bailard Biehl & Kaiser, San Mateo, a money management firm that provides asset allocation services.

In its "Economic Analysis and Investment Outlook" letter, firm officials said they have increased the asset allocation recommendation for real estate to 14% of assets from 8% six months ago and 5% one year ago.

Analysts recommended increasing investment in real estate because, they said, property prices are lower now than they were a year ago, levels of construction have been significantly reduced, and income yields for all cash purchases of real estate have been rising.

Also, the letter reported, mortgage rates are lower, permitting lower debt costs, and investment deals are being structured more conservatively, which is lowering risk.

### Ellis names manager

SAN FRANCISCO — Christopher J.B. Ellis has been appointed to the position of manager of the San Francisco regional office of Richard Ellis Inc., New York, a real estate investment advisory firm.

Mr. Ellis, who is not related to the company's founder, is a senior vice president, succeeding Gerald N. Parkes, a director, who has opened an Ellis office in Los Angeles.

**PIPER**

*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

# Stock concentration, turnover pay off

**By Chuck Paustian**

RepublicBank Dallas' Ben Fischer appears to have the Midas touch.

The bank's $10 million Select Equity Fund, run by Mr. Fischer, finished first for the year ended March 31 in Pensions & Investments' Performance Evaluation Report with a return of 108.9%. The bank also took top honors for the quarter, posting a 55.8% return.

Mr. Fischer, vice president and manager of the institutional asset management group at RepublicBank Dallas, attributed the strong performance to the fund's highly concentrated stock positions and rapid turnover.

"When you buy a stock and it goes up 15%, then buy another stock and it goes up 15% and so on, pretty soon that starts to add up," he said.

Significant weightings in the technology and consumer-service sectors along with some good, old-fashioned stock picking helped boost the returns for some of the other special equity commingled funds in the PIPER universe.

The technology and consumer-service sectors appeared to be the favorites of some of the portfolio managers, with the combined weighting of those two sectors representing as much as 75% of the total portfolio in some cases.

Once the sector bets were in place, portfolio managers used the stock-selection process to further enhance their funds' performance.

The performance of the median fund in the PIPER universe, however, lagged the return of the Standard & Poor's 500 stock index in all measurement periods except the 10-year period.

Performance figures in each of the five evaluation periods were as of March 31. Returns for the three-, five- and 10-year periods are compound annualized.

In addition to RepublicBank Dallas, other top performers for the quarter ended March 31, and their performance, were: California First Bank, San Diego, 50.2%; Security Pacific National Bank, Los Angeles, 43.5%; Texas Commerce Bank, Houston, 37.6%; and Norwest Bank, Minneapolis, 37.3%.

For the quarter, the median fund returned 20.8%, while the S&P 500 advanced 21.4%.

Following RepublicBank Dallas in the one-year period were Security Pacific, 52.1%; California First, 44.9%; E.F. Hutton Trust Co., Wilmington, Del., Growth Fund B, 42.9%; and E.F. Hutton's Emerging Growth Fund B, 41%.

The PIPER median fund advanced 17.7% during the one-year period, while the S&P 500 returned 26.2%.

Mr. Fischer said the Select Equity Fund follows a value-oriented approach, and invests in stocks with low price-to-earnings ratios and high yields.

"We didn't get a lot of high yield this time, but we did get a lot of value," he said.

"The fund is an undiversified portfolio. It's never had . . . more than six or seven or eight names in it. But, while I don't have many stocks in the portfolio at any one time, there may be quite a bit of turnover," said Mr. Fischer, adding the portfolio's annual turnover during the past three years has been between 200% and 300%.

Mr. Fischer said the fund's beta normally is between 1.2 and 1.3, while the R-squared hovers around 0.23. He said the portfolio's typical alpha was not readily available, adding, "I just know it's very positive."

As of March 31, the portfolio had a beta of 0.8, an R-squared of 0.21 and an alpha of 18.1.

Beta refers to a portfolio's level of volatility relative to the broad stock market, which has a beta of 1. The R-squared shows the correlation of the portfolio to the general market, with an exact correlation being 1. Alpha is the risk-adjusted rate of return of the portfolio.

One of the fund's better investments was **IBM Corp**. The stock was bought in late 1986 for $119 to $120 per share and sold during February and March for around $145 per share.

"You can see I'm not really hitting these," at the lows and highs, Mr. Fischer said, noting the stock later climbed to more than $160 per share. "But for the period of time I hold them, there were some good percentage gains."

Other investments include: **Comdisco Inc.**, which was bought at $26 per share and sold one month later for $30 per share; and **British Airways PLC**, bought for between $16 and $19.50 per share and sold about two months later for between $22.50 and $23 per share.

E.F. Hutton Trust captured the top two spots for the three-year period, with Growth Fund B's compound annual return of 46.8% and Emerging Growth Fund B's annualized return of 45.4%.

The other top funds for the three-year period, and their returns, were: RepublicBank Dallas, 45.3%; Security Pacific, 34.3%; and Chase Manhattan Bank, New York, Intermediate Capitalization Growth Fund, 33.5%.

The PIPER median fund's performance was 21.8%, while the S&P 500 posted a 27.4% for the three-year period.

For five years, Security Pacific grabbed the No. 1 spot with a compound annual return of 43.4%. It was followed by Citicorp, New York, Real Estate Stock Fund, 33.4%; California First, 32.5%; Norwest Bank, 30.4%; and Chase Manhattan's intermediate capitalization fund, 30.2%.

The median fund in the PIPER universe posted an annualized 22.8% for the five-year period,

*Continued on page 39*

# International funds stay light on Japan

**By Marlene Givant**

Top-performing international equity funds in the Pensions & Investments' Performance Evaluation Report are boosting exposure to Spain and small Pacific Basin markets while staying underweighted in Japan and overweighted in the United Kingdom.

Bank of America's $42 million International Employee Benefit Equity Fund, the top-ranked PIPER fund for the three-month and three-year periods ended March 31, has a mammoth 20% weighting in Spain, vs. the Morgan Stanley Capital International Europe Australia Far East index's 1% weighting.

The fund returned 26.6% for the quarter and a compound annualized 52.4% for the three years, compared with the index's 23.4% and 45.4%, respectively.

Marine Midland Bank's $34 million International Equity Fund, which ranked fourth for the year and third for the three years ended March 31 with returns of 62.8% and 41.1%, respectively — overweights Spain, Finland and Singapore/Malaysia, investing roughly 4% in each. The index has no weighting in Finland, and 0.9% in Singapore/Malaysia.

The outlook on West Germany and continental Europe as a whole varies widely, as does exposure to Japan.

The top-ranked fund for the one-year period — the $33 million International Low P/E Equity Fund of Provident National Bank, Philadelphia — has a heavy weighting in Japan, although it is underweighted relative to the index. The fund, managed by Provident Capital Management Inc., had 35% of assets in Japan, compared with the index's 57%, and returned 73.8% for the period, vs. the EAFE's 61.3%.

In contrast, Bank of America's equity fund had only a 3% exposure to Japan, yet chalked up a 72.4% return, placing second for the year.

Other top-ranked funds for the 12 months, and their returns, are the EAFE index-linked $35 million International Equity Fund of American National Bank & Trust Co. of Chicago, 68.5%, and the $1.2 billion International Index Fund of State Street Bank & Trust Co., Boston, 62.4%.

Provident National's international low p/e fund lightened its Japan weighting to 35% from 42% at year end, shifting the assets into the United Kingdom, Germany and France.

The firm's Japanese holdings include **Morozoff**, a food company, and **Nippon Gakki Co. Ltd.**, which makes Yamaha musical equipment. In the United Kingdom, it owns **Barclay's Bank**, **Sears Holdings PLC**, a retail company, and **Jaguar**.

American National's index fund beat the EAFE by more than seven percentage points by keeping transactions to a minimum.

"We don't do a lot of transacting and rebalancing and consequently we have some savings somehow. We don't buy and sell — we sort of hold and that's what happens," explained Kristen Jackson, investment officer.

For the first quarter, Bank of America's 26.6% return was followed by American National's 24.1% and State Street's 23.3%, a tad below the EAFE's 23.4%.

For the three-year period, Bank of America's fund returned a compound annualized 52.4%; American National's, 45.9%; and Marine Midland's, an annualized 41.1%. The EAFE returned 45.4% in the period.

Officials at BA Investment Management International Ltd., London, which manages the Bank of America fund, see consumer-oriented industries as the only global area worth pursuing. "The consumer is the only area of potential growth in the world economy," said Alison Edmonds, investment manager-international equities.

Government spending and the unwinding of the U.S. trade deficit won't play a key role in driving economic growth and private corporate expenditures won't be strong, said Ms. Edmonds.

The fund's portfolio is biased toward consumer goods, services and financial stocks, which are benefiting from the fall in interest rates last year and last quarter and financial deregulation worldwide, she said.

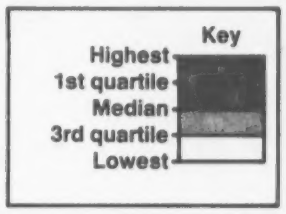
BA has been underweighted in Japan longer than most managers. Exposure to Japan is 3%, sharply down from 20% at the end of the first quarter of 1986, and vastly underweighted compared with the EAFE's

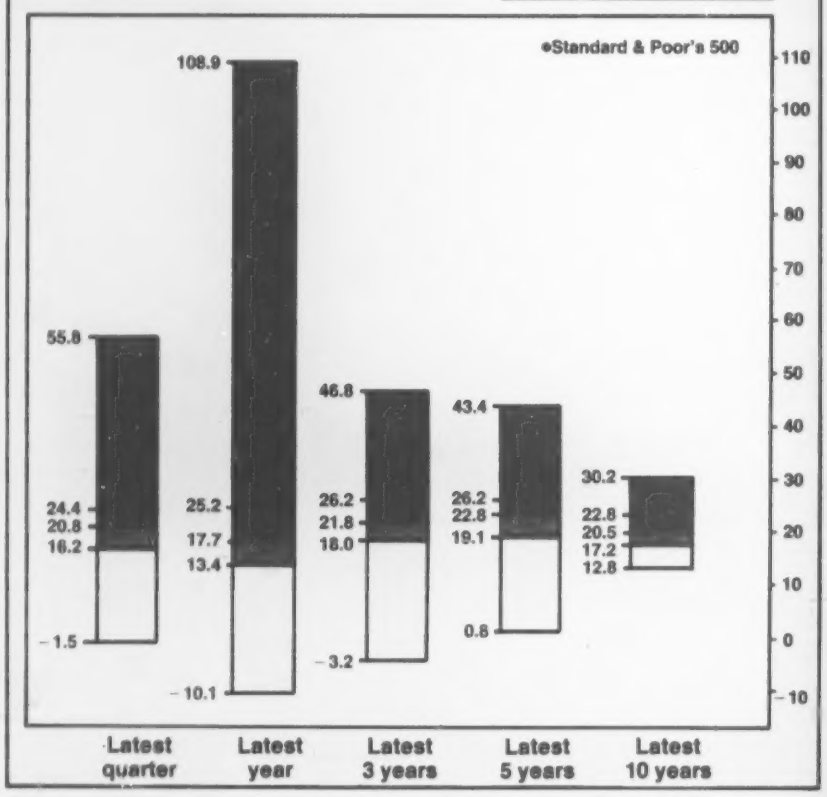
*Continued on page 42*

**Pooled special equity funds of banks and insurance companies.**

**All periods ending March 31, 1987, and all figures, except latest quarter, are annualized total returns.**

**PIPER report compiled by Rogers, Casey & Barksdale Inc.**

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## Top quartile commingled special equity funds

### 3-month returns

| | % |
|---|---|
| RepublicBank Dallas (Select) | 55.8 |
| California First Bank (Supp.) | 50.2 |
| Security Pacific (G), Calif. | 43.5 |
| Texas Commerce | 37.6 |
| Norwest Bank (Special.), Minn. | 37.3 |
| Irving Trust (II), N.Y. | 32.0 |
| First Pennsylvania Bank | 31.1 |
| Oregon Bank (Agg. gr.) | 30.8 |
| Lincoln Natl. Pens (Spec. opp.) | 29.6 |
| Northern Trust, Ill. | 29.1 |
| Citicorp (Resources), N.Y. | 29.0 |
| Bank of America, Calif. | 27.9 |
| IDS Trust (Emer. Gr. F), Minn. | 26.9 |
| Metropolitan Life (SA. 43), N.Y. | 26.6 |
| First Alabama, Mobile | 26.4 |
| Morgan Guaranty (Supp.), N.Y. | 26.3 |
| Marsh & McLennan (Putnam) | 25.8 |
| Wachovia Bank (Div. cap.), N.C. | 25.8 |
| Ameritrust (Tech.), Ohio | 25.7 |
| Equitable Bank, Md. | 25.7 |
| Harris Trust, Ill. | 24.8 |
| Prudential (Midco), N.J. | 24.8 |
| Bank of New York | 24.4 |
| Morgan Guaranty (Small Co.) | 24.4 |
| Chase Manhattan (Inter. cap) | 24.4 |
| **Standard & Poor's 500** | **21.4** |

### 1-year returns

| | % |
|---|---|
| RepublicBank Dallas (Select) | 108.9 |
| Security Pacific (G), Calif. | 52.1 |
| California First Bank (Supp.) | 44.9 |
| E.F. Hutton Trust (Gr. B), Del. | 42.9 |
| E.F. Hutton Trust (Emer. B), Del. | 41.0 |
| Norwest Bank, Minn. | 39.3 |
| Texas Commerce | 36.2 |
| Northern Trust, Ill. | 35.0 |
| Manufacturers Hanover (Supp.) | 34.2 |
| Chase Manhattan (Int. cap.) | 33.7 |
| Trust Co. of the West | 32.4 |
| Society Natl. (Ohio reg.), Ohio | 30.9 |
| Irving Trust (II), N.Y. | 30.0 |
| Marsh & McLennan (Putnam) | 29.9 |
| Central Fidelity (Agg.), Va. | 29.4 |
| Phoenix Mutual (Gr. S), Conn. | 27.8 |
| National Bank of Detroit (F) | 27.6 |
| Oregon Bank (Agg. gr.) | 27.2 |
| Citicorp (Resources), N.Y. | 27.1 |
| **Standard & Poor's 500** | **26.2** |
| First of Boston (Yield), Mass. | 26.1 |
| Harris Trust, Ill. | 26.1 |
| Society Natl. (Earn. mom.), Ohio | 25.2 |

### 3-year returns

| | % |
|---|---|
| E.F. Hutton Trust (Gr. B), Del. | 46.8 |
| E.F. Hutton Trust (Emer. B), Del. | 45.4 |
| RepublicBank Dallas (Select) | 45.3 |
| Security Pacific (G), Calif. | 34.3 |
| Chase Manhattan (Int. cap.) | 33.5 |
| Citicorp (Emer. health) | 33.4 |
| Trust Co. of the West | 32.4 |
| Citicorp (R.E.), N.Y. | 29.9 |
| Norwest Bank, Minn. | 29.8 |
| Metropolitan Life (SA. 43), N.Y. | 28.9 |
| First of Neenah (Eq. Inc.), Wis. | 28.4 |
| LaSalle Natl. (Small cap.), Ill. | 27.7 |
| First of Boston (Yield), Mass. | 27.6 |
| Citicorp (Spec. sit.), N.Y. | 27.5 |
| Manufacturers Hanover (Supp.) | 27.4 |
| **Standard & Poor's 500** | **27.4** |
| Old Second Natl. (HR 10), Ill. | 26.9 |
| Northern Trust, Ill. | 26.5 |
| Mellon Bank, Pa. | 26.2 |
| Connecticut Natl. (Supp.) | 26.2 |

### 5-year returns

| | % |
|---|---|
| Security Pacific (G), Calif. | 43.4 |
| Citicorp (R.E.), N.Y. | 33.4 |
| California First Bank (Supp.) | 32.5 |
| Norwest Bank, Minn. | 30.4 |
| Chase Manhattan (Int. cap.) | 30.2 |
| Connecticut Natl. (Supp.) | 29.4 |
| Citicorp (Spec. sit.), N.Y. | 28.5 |
| Provident National, Pa. | 28.5 |
| Wachovia Bank (Div. spec.), N.C. | 28.1 |
| First Pennsylvania Bank | 27.8 |
| First of Boston (Yield), Mass. | 27.6 |
| Society Natl. (Ohio reg.) | 27.2 |
| Northern Trust, Ill. | 27.0 |
| **Standard & Poor's 500** | **26.6** |
| Bank of America, Calif. | 26.4 |
| First of Boston (II), Mass. | 26.4 |
| Chase Manhattan (Value), N.Y. | 26.3 |

### 10-year returns

| | % |
|---|---|
| California First Bank (Supp.) | 30.2 |
| MTrust, Texas (Growth) | 27.5 |
| Equitable Bank, Md. | 25.7 |
| Northern Central, Pa. | 25.0 |
| Norwest Bank, Minn. | 24.1 |
| First of Maryland | 23.6 |
| Chase Manhattan, N.Y. | 23.2 |
| Chase Manhattan (Int. cap.) | 23.1 |
| Bank of America, Calif. | 23.0 |
| **Standard & Poor's 500** | **17.0** |

## Commingled international funds

### 3-month returns

| | % |
|---|---|
| Bank of America (Eq.), Calif. | 26.6 |
| American Natl. Chicago (Eq.) | 24.1 |
| **MSCI EAFE Index** | **23.4** |
| State Street Bank (Index) | 23.3 |
| Prudential (Print eq.), N.J. | 22.9 |
| **MSCI World Index** | **22.6** |
| Marine Midland (Eq.), N.Y. | 22.0 |
| IDS Trust (Col. eq.), Minn. | 17.3 |
| Chase Manhattan (Global eq.) | 17.0 |
| HT Investors (Eq.), R.I. | 16.7 |
| CIGNA Corp. (Eq.), Conn. | 16.7 |
| Bessemer Trust (E), N.Y. | 16.2 |
| Aetna MIM (Eq.), Conn. | 15.8 |
| Citicorp (Eq.), N.Y. | 14.8 |
| Prudential (Foreign bond), N.J. | 14.4 |
| First of Chicago (Eq.) | 14.4 |
| Toledo Trust (Global bond) | 14.1 |
| Mellon Bank (Eq.), Pa. | 13.6 |
| Marsh & McLennan (Putnam) | 13.6 |
| Citicorp (Fixed), N.Y. | 13.6 |
| Morgan Guaranty (Bond), N.Y. | 13.2 |
| First of Chicago (Non $ fixed) | 13.1 |
| Bank of America (Fixed), Calif. | 12.7 |
| US Trust (Eq.), N.Y. | 12.5 |
| RepublicBank Dallas (Stock) | 12.4 |
| California First Bank (Eq.) | 11.6 |
| Centerre Trust (Col. W), Mo. | 10.3 |
| Prudential (Global bond), N.J. | 10.1 |
| Morgan Guaranty (Eq.), N.Y. | 9.3 |
| Provident Natl. (Low p/e), Pa. | 9.3 |
| Toledo Trust (Eq.), Ohio | 7.0 |
| Travelers Hill Samuel (SA W) | 2.9 |

### 1-year returns

| | % |
|---|---|
| Provident Natl. (Low p/e), Pa. | 73.8 |
| Bank of America (Eq.), Calif. | 72.4 |
| American Natl. Chicago (Eq.) | 68.5 |
| Marine Midland (Eq.), N.Y. | 62.8 |
| State Street Bank (Index), Mass. | 62.4 |
| **MSCI EAFE Index** | **61.3** |
| Bessemer Trust (E), N.Y. | 56.0 |
| Chase Manhattan (Glob. eq.) | 55.0 |
| CIGNA Corp. (Eq.), Conn. | 53.3 |
| Prudential (Print eq.), N.J. | 53.1 |
| IDS Trust (Col. eq.), Minn. | 52.7 |
| US Trust (Eq.), N.Y. | 51.0 |
| Citicorp (Eq.), N.Y. | 49.7 |
| RepublicBank Dallas (Stock) | 48.4 |
| First of Chicago (Eq.) | 47.5 |
| Centerre Trust (Col. W), Mo. | 44.8 |
| **MSCI World Index** | **41.1** |
| HT Investors (Eq.), R.I. | 43.7 |
| Aetna MIM (Eq.), Conn. | 42.4 |
| Morgan Guaranty (Eq.), N.Y. | 39.7 |
| California First Bank (Eq.) | 39.7 |
| Mellon Bank (Eq.), Pa. | 36.4 |
| Travelers Hill Samuel (SA W) | 34.0 |
| Prudential (Foreign bond), N.J. | 32.8 |
| First of Chicago (Non $ fixed) | 32.4 |
| Citicorp (Fixed), N.Y. | 32.0 |
| Bank of America (Fixed), Calif. | 31.6 |
| Marsh & McLennan (Putnam) | 31.6 |
| Toledo Trust (Global bond) | 30.8 |
| Toledo Trust (Eq.), Ohio | 29.4 |
| Prudential (Global bond), N.J. | 28.4 |
| Morgan Guaranty (Bond), N.Y. | 28.1 |

### 3-year returns

| | % |
|---|---|
| Bank of America (Eq.), Calif. | 52.4 |
| American Natl. Chicago (Eq.) | 45.9 |
| **MSCI EAFE Index** | **45.4** |
| Marine Midland (Eq.), N.Y. | 41.1 |
| Bessemer Trust (E), N.Y. | 39.4 |
| Marsh & McLennan (Putnam) | 38.9 |
| Citicorp (Eq.), N.Y. | 38.6 |
| First of Chicago (Eq.) | 37.9 |
| Aetna MIM (Eq.), Conn. | 37.0 |
| IDS Trust (Col. eq.), Minn. | 36.8 |
| **MSCI World Index** | **36.1** |
| Chase Manhattan (Global eq.) | 35.8 |
| US Trust (Eq.), N.Y. | 34.9 |
| Centerre Trust (Col. W), Mo. | 33.8 |
| RepublicBank Dallas (Stock) | 32.7 |
| Prudential (Global bond), N.J. | 32.5 |
| Morgan Guaranty (Eq.), N.Y. | 29.8 |
| HT Investors (Eq.), R.I. | 29.3 |
| Mellon Bank (Eq.), Pa. | 29.0 |
| Travelers Hill Samuel (SA W) | 27.3 |
| Prudential (Foreign bond), N.J. | 26.3 |
| Bank of America (Fixed), Calif. | 26.2 |
| Citicorp (Fixed), N.Y. | 25.4 |
| First of Chicago (Non $ fixed) | 24.8 |
| Morgan Guaranty (Bond), N.Y. | 24.1 |


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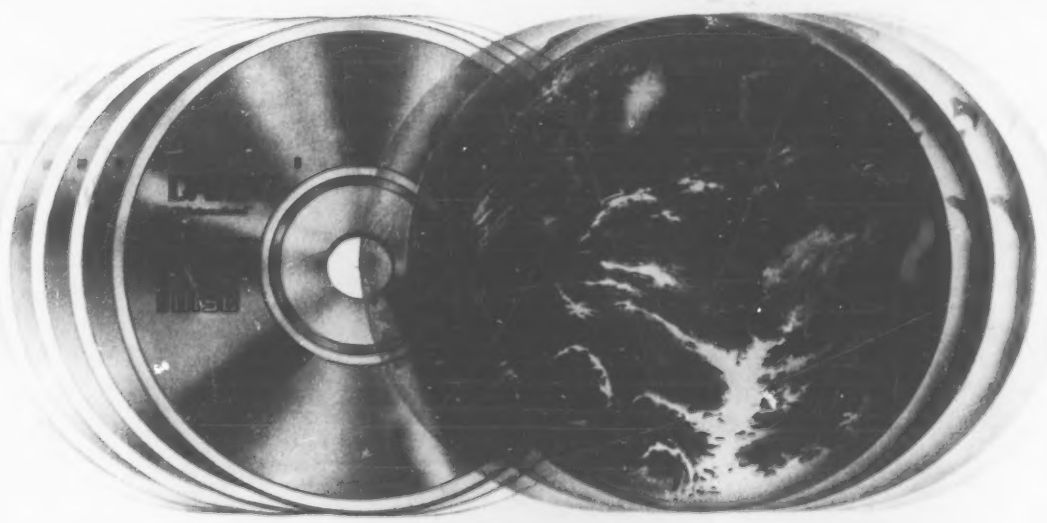

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# Stock concentration . . .

*Continued from page 37*

while the S&P 500 increased 26.6%.

Performance figures for the 10-year period show California First on top, with a compound annual return of 30.2%, followed by MTrust, Dallas, 27.5%; Equitable Bank, Baltimore, 25.7%; Northern Central Bank, Williamsport, Pa., 25%; and Norwest Bank, 24.1%.

The 10-year period was the only period in which the PIPER median fund outperformed the market index. The median fund posted 20.5%, while the S&P 500 increased 17%.

Hilton Hemphill, president of MSecurities, Dallas, which runs the $26 million Growth Fund, as well as other commingled funds, for MTrust, said, "Most of the success of the portfolio over the last several months has been from technology." The fund returned 23.5% for the quarter and 13.5% for the one-year period.

Mr. Hemphill said the consumer-service sector also represents a significant portion of the portfolio's holdings. Between 25% and 30% of the fund's assets are invested in each sector, he said.

The fund is invested in small-capitalization, growth companies following a bottom-up approach. "The emphasis in the portfolio reflects the sector we're making in the larger-capitalization portfolios," Mr. Hemphill said.

Some of the better performing stock holdings in the fund include **Microsoft Corp.**, a software company bought at $49 per share and recently selling for $119 per share, and **Intermedics Inc.**, a medical supply company bought at $14 per share and now selling around $23 per share.

Norwest Bank's $94 million Special Situation Fund also benefited from its exposure to technology and consumer-service stocks, according to Robert B. Mersky, president and portfolio manager at Peregrine Capital Management Inc., Minneapolis, which runs the portfolio for the bank.

Mr. Mersky said the two sectors represented about 75% of the fund's total assets. The stock-selection process, however, plays a dominant role in the portfolio's strategy, he said.

"We uncover information gaps. We want to know something that most other investors are not yet aware of," said Mr. Mersky. "With so many stocks out there that are publicly traded, it's not surprising so many get little attention from brokers."

Among the top-performing stocks in the portfolio were **Chiron Corp.**, a biotechnology company the fund bought at $17 per share and which was recently selling for around $35 per share; **Scimed Life Systems Inc.**, a medical technology firm, bought at $14 per share and now priced around $22 per share; and **Chambers Development Co. Inc.**, a waste disposal company, which the fund bought around $7 per share and which recently was selling for $29 per share.

Some of the funds performed strongly based on the merits of the manager's stock-picking ability.

"Our whole orientation is one of analyzing change and associating that change with specific investment targets," said Neal Miller, managing director of Chase Investors Management Corp., New York, the money management arm of Chase Manhattan Bank.

"My experience over the years has allowed me to separate the wheat from the chaff," he said.

Mr. Miller is the portfolio manager for the $350 million Intermediate Capitalization Growth Fund. He said an example of the type of change he looks for is when the Federal Communications Commission decided to allow companies to own 11 broadcasting stations, rather than seven. "Within a two-year time span we've had a complete reorganization of that industry."

Some of the portfolio's holdings include **Laidlaw Transportation Ltd.**, a Canadian company involved with providing services that had been handled by the government, bought at $7 per share and recently selling around $15.50 per share; and **Ocean Drilling & Exploration Co.**, with one of the largest off-shore drilling fleets, bought at $14 per share and recently selling around $23.

Another fund that relied heavily on stock selection was Citicorp's $35 million Real Estate Stock Fund. The fund is managed by Citicorp Investment Management Inc., New York.

Kenneth Statz, a vice president at Citicorp Investment Management and portfolio manager for the fund, said he doesn't let bleak outlooks for the general real estate market deter him. "We try to pick the real estate that is providing the cash flow," he said.

Mr. Statz said the fund invests in the stock of companies that manage or develop various properties. "Basically we try to provide the return provided by developing and managing real estate, but we do it through a stock vehicle so we have liquidity."

The portfolio's stock holdings include **Federal Realty Investment Trust**, bought at a blended price of $8 per share and recently priced at $23 per share; **Newhall Land and Farming Co.**, which was purchased at a blended price of $4 per share and recently selling for $34 per share; and **Cousins Properties Inc.**, bought at a blended price of $4.50 per share and now selling around $21. ■

### 5-year returns

| | % |
|---|---|
| IDS Trust (Col. eq.), Minn. | 38.8 |
| Bank of America (Eq.), Calif. | 38.1 |
| **MSCI EAFE Index** | **37.7** |
| American Natl. Chicago (Eq.) | 36.8 |
| Citicorp (Eq.), N.Y. | 34.2 |
| Marsh & McLennan (Putnam) | 33.9 |
| US Trust (Eq.), N.Y. | 33.4 |
| First of Chicago (Eq.) | 33.1 |
| Centerre Trust (Col. W), Mo. | 33.0 |
| **MSCI World Index** | **31.9** |
| Bessemer Trust (E), N.Y. | 31.4 |
| Morgan Guaranty (Eq.), N.Y. | 30.6 |
| Mellon Bank (Eq.), Pa. | 28.3 |
| Chase Manhattan (Global eq.) | 26.3 |
| First of Chicago (Non $ fixed) | 20.4 |
| Morgan Guaranty (Bond), N.Y. | 20.1 |
| Bank of America (Fixed), Calif. | 19.7 |
| Citicorp (Fixed), N.Y. | 18.6 |

### 10-year returns

| | % |
|---|---|
| **MSCI EAFE Index** | **24.6** |
| US Trust (Eq.), N.Y. | 24.4 |
| First of Chicago (Eq.) | 21.1 |
| Morgan Guaranty (Eq.), N.Y. | 20.9 |
| **MSCI World Index** | **20.2** |

### Upcoming events

*Pensions & Investment Age*'s Datebook has expanded its coverage, and now includes listings of more upcoming events.

If you are sponsoring a conference or meeting and wish it included in Datebook, send information to Arlise Larson, *Pensions & Investment Age*, 740 N. Rush St., Chicago, Ill. 60611; (312) 649-5407.


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# Xerox executive named 'best'

Robert R. Evans, director-employee benefit assets at Xerox Corp., Stamford, Conn., is the nation's "best and brightest" corporate pension executive, a *Pensions & Investment Age* survey shows.

Mr. Evans was named most often by money managers and investment management consultants who responded to a survey asking them to name the three pension executives they considered "the best and the brightest."

Robert E. Shultz, vice president-pension asset management at RJR Nabisco Inc., Winston-Salem, N.C., received the second largest number of nominations.

Myra R. Drucker, director-trust investments at International Paper Co., New York; W. Allen Reed, staff vice president-investments at Hughes Aircraft Co., El Segundo, Calif.; and George C. Weintz, investment counsel at Lockheed Corp., Calabasas, Calif., tied for third.

Tied for fourth were John B. Carroll, president GTE Investment Management Corp., Stamford, and Edward T. Tokar Jr., vice president-investments at Allied-Signal Inc., Morristown, N.J.

Douglas A. Love, director of research at BEA Associates and a former pension fund consultant, said the people selected "have enough experience to blend an appropriate amount of skepticism with a good grasp of fairly technical issues."

The respondents named 120 different pension executives as among the "best and brightest."

The survey, mailed to a carefully selected group of experienced money managers and pension consultants, asked them to nominate the best corporate pension executives with whom they

*Continued on page 39*

*Robert R. Evans, Xerox director-employee benefit assets, was voted the top pension executive.*

Pensions & Investment Age

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# States moving on takeover laws

**By Nicky Robertshaw**

WASHINGTON — The aftershock of the U.S. Supreme Court ruling upholding an Indiana anti-takeover law is starting to be felt, with Delaware and California moving toward consideration of takeover bills and other states contemplating similar action.

And even though a recent study by the Securities and Exchange Commission staff suggests such legislation decreases shareholder wealth, Senate Banking Committee Chairman William Proxmire, D-Wis., has introduced legislation that would affirm state takeover statutes, giving such laws a further boost. (*See related story, Page 4.*)

With Delaware, where some 43% of all New York Stock Exchange companies are incorporated, expected to consider this type of legislation by the end of the month, the issue of state anti-takeover laws becomes an important one.

Under the Indiana law, shareholders were given 50 calendar days to consider a tender offer; federal law requires a minimum of 20 business days. The Indiana law also requires shareholder approval before a bidder holding a certain amount of stock can exercise voting rights on the stock.

While similar in concept to the Indiana statute, the Delaware bill would be based solely on where a company is incorporated. Among other things, the Delaware law would increase the tender offer period, set at a minimum of 20 business days by federal law, to 50 calendar days.

California state Sen. Dan McCorquodale last week proposed a far-reaching takeover law modeled after the Indiana statute. The law has some key differences — it requires an affirmative vote from shareholders to make it effective and applies to California corporations with more than 100 shareholders.

The bill is part of a package of corporate governance legislation, which also includes a bill that would make "greenmail" harder to pay. That second bill requires the approval of the board of directors and shareholders when more than 5% of a corporation's stock is purchased for more than fair market value.

"Delaware is trying to protect its biggest industry," said T. Boone Pickens, general partner of Mesa Limited Partnership, Amarillo, Texas, and founder of the United Shareholders Association.

"They're trying to be competitive with the other states that are passing these laws," he said, adding managements probably would move their companies' incorporations to other states offering more protection from takeovers.

Mr. Pickens said he believes the laws are bad for shareholders because they make it harder to unseat current management whose practices might be keeping stock values down.

Mr. Pickens' views are supported by the results of a study by the SEC chief economist's office, which examined the effects of a November 1986 Ohio statute on shareholder wealth. The office found of 37 Ohio corporations examined, share prices decreased "roughly 2%" while the Legislature considered laws designed to stop the attempted takeover of Akron-based Goodyear Tire & Rubber Co. by Sir James

*Continued on page 37*

## Inside:

LEASING: Airlines are doing it, some with the help of The CIT Group, one of the largest lessors of aircraft in the United States. Other companies are doing it too, and *P&I Age* tells how they are using this financing tool — Page 17.

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# BCI bondholders balk at proposal for spinoff

**By Marci Baker**

CHICAGO — BCI Holding Corp.'s plan to spin off its consumer products and specialty food businesses into a separate company is running into head winds.

Before the deal can go through, BCI must gain approval from its bondholders to relax certain restrictive covenants of existing BCI bonds. Many of the bondholders are fuming over the terms of the waiver and are refusing to sign.

"I told them this thing doesn't border on an outrage. It really *is*," said one disgruntled pension fund adviser who holds the bonds.

"There's no way we're sending our waiver in," said a high-yield specialist. "It's an insult. They can't think we're that stupid to approve the changes on the current terms."

The waiver seeks to relax covenants in the bond indentures restricting the payment of dividends and other payments to equity investors. It also would soften the terms for repaying existing indebtedness, the degree to which BCI and subsidiaries can take on additional debt, and permit BCI to enter into service agreements with E-II Holdings, the name of the proposed spinoff.

In exchange for their consent to the amendments, bondholders would receive $2.50 per bond held.

BCI must gain waivers on 50% of each of the four tranches of bonds issued in the buy-out of Beatrice Cos. last year to approve the amendments and complete the spinoff.

BCI is seeking the changes to make some asset distributions to equity investors and give the company more operating flexibility, according to the consent solicitation statement circulated to bondholders.

Despite the sentiments of bondholders, expectations are BCI will get the necessary votes to put the amendments in force. But BCI likely will have to sweeten the terms of the waiver before it can reach the 50% threshold.

Kohlberg Kravis Roberts & Co., New York, took Beatrice private in April 1986 with $6.2 billion in financing from banks, equity partnerships and the placement of $2.5 billion of junk bonds.

Drexel Burnham Lambert Inc. placed the high-yield issues, which consisted of 11% 10-year senior notes, 12½% 12-year senior subordinated debentures, 12¾% 15-year subordinated debentures and 15-year floating-rate junior subordinated debentures.

The waiver documentation was mailed to bondholders June 5; the deadline for obtaining the waivers is June 19.

A BCI spokesman said it is too early to comment on any response to bondholders.

Dean Kehler, managing director at Drexel, which is adviser to BCI on the waiver, said it's too early in the process to determine what kind of approval rate the company is getting to the amendments.

"Legally, we couldn't talk to the bondholders until the appropriate documentation was out. We're just in the process now of talking to the bondholders to find out what they think and what they want."

BCI's management continues to show a willingness to listen to concerns by investors, Mr. Kehler said. He declined to say, however, whether the terms of the waiver ultimately would be changed.

*Continued on page 40*

# Market jitters may aid contrarians

**By Fred Williams**

Contrarian investment managers, after two years of lagging the market, are poised for a rebound and current market jitters may be just what they need to return to favor.

For the few acknowledged contrarians, who suffered through one of their worst years in 1986, the change for the better may be under way, according to consultants and plan executives who stuck with them through the bad times.

One reason for the rebound is the stocks toward which they lean — out-of-favor stocks, usually in financially troubled industries such as energy, oil field services, steel, metals and machinery — are finally making moves in the market after languishing for several quarters, or even years.

Investment strategists also claim contrarians hold their own better in down markets.

One of the problems, however, is in determining who is a contrarian and how many contrarians there are. Experts agree there are only eight to 10 major contrarian firms and some others camouflaged as value managers.

Among those most frequently mentioned as contrarians are Batterymarch Financial Management, Boston; Fraser Management Associates Inc., Burlington, Vt.; Meridian Management Co., Little Rock, Ark.; Robert E. Torray & Co., Bethesda, Md.; and Birmingham Capital Management, Birmingham, Ala.

Others sometimes included are Sanford C. Bernstein & Co. Inc., New York; United Capital Management, Denver; Donald Smith & Co. Inc., Paramus, N.J.; and Dreman Value Management Inc., New York.

The recovery among contrarians is still in the early stages, said Dennis Stattman, vice president-equities at Meridian, which had $279 million under management in tax-exempt assets as of Jan. 1.

"We're seeing a rotation in market leadership . . . metals, oil-field service companies, energy, steel, forest products, chemicals — these were areas a year ago that were totally out of favor and unpopular. Now, investors are starting to bid them up.

"Last year, the market leaders were disinflationary stocks which benefited from lower interest rates and inflation. Contrarians have a style that benefits from this type of shift," said Mr. Stattman.

For example, he said, oil-field service companies have been helped by rising oil prices and increased interest in drilling. Cost-cutting since 1982 has put most of these companies in a "survival strategy" that will result in "much higher profits as the industry rebounds."

Steel companies, too, have been through hard times, but a few are showing increased profits after several years of cost-cutting, modernization, payroll cuts and elimination of excess capacity.

These steps have resulted in "a much leaner industry . . . benefiting from higher levels of economic activity and reduced foreign competition because of the drop in the dollar. These companies are starting to make money again this year," said Mr. Stattman.

Among Meridian's holdings are **International Paper Co., Halliburton Co., General Motors Corp. and USX Corp.**

For 1986, Meridian returned 6.1%, compared with 18.7% for the Standard & Poor's 500 stock index. For the three years ended Dec. 31, it returned a compound annual 5.6% vs. the S&P's 18.5%, and for the five years, Meridian returned an annualized 18.9% vs. 19.9%. For the first quarter of 1987, Meridian returned 21.1% and the S&P, 21.4%.

Plan executives who deal with long-term investments claim it is unfair to judge contrarians on the short-term basis prevalent in some parts of the industry.

"I agree their time has come," said H.H. MacPherson, manager-investment and fi-

*Continued on page 41*

# 3 at pension-related posts take new positions; 1 retires

Three executives with a say in multibillion-dollar pension funds have taken new jobs, two of them moving to investment management firms, and a fourth has retired.

Beverly L. Hamilton was appointed third deputy comptroller of the $30 billion New York City Retirement Systems. The former assistant vice president-investor relations for the $6 billion United Technologies Corp. pension fund assumes her new duties June 24.

Carl W. Strayer, director-pension investments at Hartford, Conn.-based UTC, retired May 31.

A replacement has not yet been named for Ms. Hamilton; there will be no successor to Mr. Strayer.

Bill Rutherford, Oregon state treasurer and chairman of the $8 billion Oregon Investment Council, which oversees the state Public Employes Retirement System, is resigning June 30 to become an executive vice president with ABD International Management Corp., New York.

And Michael J. Finn, assistant director a[illegible] head of venture capital at the [illegible] billion Michigan State Employees' Retirement Systems, Lansing, will join Sears Investment Management Co., Chicago, as investment portfolio manager of the venture capital division.

Ms. Hamilton's new duties will include work in the management of all the city systems' assets, which are in fixed income and equity. She will report directly to Comptroller Harrison J. Goldin.

But her first duty will be to complete the restructuring of the New York City systems' equity portfolio.

She assumes the post vacated by Marvin L. Damsma in March. Mr. Damsma is now director of the $2.8 billion pension fund of Amoco Corp., Chicago.

Jon Lukomnik, a spokesman for the city systems, said Ms. Hamilton will complete Mr. Damsma's earlier work in restructuring the equity portfolio, which accounts for about 25% of the systems' total assets. Before joining Amoco, Mr. Damsma had completed restructuring the fixed-income portfolio, which entailed the hiring or retention of some 21 managers (*Pensions & Investment Age*, Feb. 9).

Mr. Lukomnik said a timetable and specifics of the equity restructuring will be determined by Ms. Hamilton. She was not available for comment.

Jack R. Meyer, chief investment officer of the Rockefeller Foundation and a former New York systems deputy comptroller who counseled the city in replacing Mr. Damsma, called Ms. Hamilton "a terrific find." Prior to joining UTC, she worked as head of the securities products group for Morgan Stanley Asset Management Inc., New York, as an assistant trust officer with Manufacturers Hanover Investment Corp. and in the trust department at ITT Corp., New York.

Mr. Lukomnik said the hiring

*Continued on page 40*

*Bill Rutherford will leave the Oregon Investment Council; Beverly Hamilton will join the N.Y. City Retirement Systems.*

# *World Bank sets up crossing network*

**By Marlene Givant**

NEW YORK — With 60% of its assets indexed globally, the $2.6 billion World Bank pension fund has devised its own crossing network to save money on tactical asset switches.

When the World Bank wants to reduce its equity position, it sells stocks from its index funds directly to other pension funds investing in index funds. Thus, neither party incurs transaction costs.

Swapping assets for cash flow internationally can save a fund up to seven percentage points a year if a portfolio turns over by 100% per year. Domestically, it can save 50 to 100 basis points, said Hilda Ochoa, chief-pension investments at the $2.6 billion pension fund. She would not identify the fund's crossing partners.

What's more, using indexed international stock and bond funds, World Bank pension officials are starting to develop a forward market in international equities to reduce price uncertainty during tactical shifts.

They also take forward and futures positions to reduce exposure to currency and interest rate risk.

A futures contract is an agreement to buy or sell a specific amount of a financial instrument at a particular price at a stipulated date. A forward transaction refers to the actual purchase or sale of a specific quantity of a security or foreign currency at a price specified now, with delivery and settlement at a specified date. Because a forward contract is a completed contract, unlike an option, it can be used to buy back futures contracts previously sold.

The fund's tactical asset allocation strategy has succeeded in boosting investment returns through short-term asset allocation switches.

In the 6½ years since officials began a strategy of managing the fund's asset and

*Continued on page 40*

*Hilda Ochoa, chief-pension investments at the World Bank fund.*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

**P&I Age May indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 0.85 | 21.31 | 21.16 |
| Russell 3000 | 0.62 | 19.29 | 16.32 |
| Ryan Index | −0.39 | −3.08 | 4.15 |
| Shearson Lehman Gov't./Corp. | −0.44 | −1.66 | 6.39 |

Source: Rogers, Casey and Barksdale Inc., and Frank Russell.

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# GM eyeing swap in Latin America

**By Marci Baker**

General Motors Corp., Detroit, is considering a $100 million swap of Latin American debt for equity to further capitalize its operations south of the border.

If it carries out the swap, the automaker would join a growing list of U.S. companies taking advantage of the secondary trading market for Latin American debt to build up operations there.

**Corporate finance**

Some observers predict such activity will heat up as a result of decisions by Citibank, New York, and other lenders to lesser developed countries to increase loan loss reserves and engage in swap transactions to reduce exposure to Third World loans.

"We've been looking seriously at (LDC debt conversions) for some time," said a GM spokesman who declined to comment on anything more specific.

Sources said, however, the company is working with Manufacturers Hanover Trust Co., New York, on a $100 million debt-for-equity swap of Mexican loans, which would be used to further capitalize manufacturing operations in that country.

In a typical swap transaction, the company purchases outstanding Third World loans from lenders at a substantial discount to their face value. It then presents the debt to the local government, which redeems it for local currency at the prevailing exchange rate. The company uses the proceeds of the transaction to infuse capital into existing operations, make acquisitions or help finance new projects.

Corporate officials and investment bankers say the transactions often offer the cheapest, most attractive mechanism to finance activities in developing nations. At the same time, the investments can help stimulate economic growth and foster employment for the countries.

"U.S. corporations are very substantial players in the secondary market," said John Simone, executive vice president in the international investment banking unit at Manufacturers Hanover.

"Activity is definitely on the rise."

Chrysler Corp., Highland Park, Mich.; Ford Motor Co., Dearborn, Mich.; Nissan Motor Co. Ltd., Tokyo; and Rohm & Haas Co., Philadelphia, are among the corporations investing in these countries through debt-for-equity swaps.

More recently, American Express Bank, New York, entered into an agreement with the Mexican government to convert $100 million of debt to

*Continued on page 29*

# World markets await Greenspan's impact

**By Marlene Givant**

Institutional investors are uncertain about how Alan Greenspan's appointment as chairman of the Federal Reserve Board will affect world currency and stock markets.

The possibility of a further dollar drop is intensifying some managers' fears of a Japanese stock market correction while others think the dollar is near bottom, regardless of Mr. Greenspan's appointment.

And at least one analyst believes currency fears caused by Mr. Greenspan's replacement of Paul A. Volcker will cause Japanese investors to slice their U.S. bond investments, sending a flood of assets into the Tokyo stock market.

But Harold Smith, president of the more than $1 billion Young Men's Christian Association retirement fund, New York, believes the change will more heavily affect the deutsche mark than the yen.

Expecting the mark to stabilize this summer under Mr. Greenspan's reign, the fund's in-house managers are buying 10-year French franc government bonds, which have higher interest rates than deutsche mark bonds, yet still would benefit from a fall in German interest rates because of France's heavy trade with Germany, according to Mr. Smith.

Other managers and plan executives interviewed were less certain about the impact of Mr. Greenspan's appointment on international currency and stock markets, especially Japan, for several reasons.

- Mr. Volcker, who left June 2, has been hailed for slashing inflation to less than one-third its average rate of 12.8% in 1979 and 1980, but Mr. Greenspan's anti-inflation know-how has not been established. Investor fears of inflation as well as uncertainty about whether U.S. interest rates will rise could cause a further drop in the dollar.
- Mr. Greenspan might have to raise interest rates more than Mr. Volcker would to stabilize the dollar, "until he gains the markets' confidence," said Christian Wignall, senior vice president at G.T. Capital Management, San Francisco, which manages $800 million for tax-exempt clients.
- Mr. Greenspan's hard-to-classify economics approach and his tendency to answer questions with few words aggravate investor uncertainty.
- The Fed might be less independent under Mr. Greenspan because of his ties to the White House, according to Rudi Leuthold, managing director of J.P. Morgan Investment Management Inc., London, which runs $11.7 billion in international assets, almost all for tax-exempt clients. This could cloud Fed policy with party goals.
- On May 27, Mr. Greenspan said the dollar would fall further, but when he was named Fed chairman, he said the dollar had fallen enough.

"How can investors make a judgment when (Mr.) Greenspan changes his mind in seven days?" asked Pierre Henchoz, chief of the investment management section of the nearly $7 billion United Nations Joint Staff Pension Fund, New York.

But YMCA's Mr. Smith said he thinks under Mr. Greenspan, West Germany will stimulate its economy and stabilize its currency.

"The U.S. feels it has achieved all it can achieve with Japan. I think it's quite clear the pressure is now going to be on the German mark. The whole attention of our government will be on the deutsche mark's relationship to the dollar," Mr. Smith said.

"Germans are very inflation conscious — reluctant to take stimulatory steps in fiscal or monetary policy. Mr. Greenspan might encourage them to reduce interest rates further in order to lower pressure on the dollar via the mark.

"The dollar-yen (relationship) is probably going to stabilize between 140 and 145. We've been at that level most of the past month — a surprise to many people. It appears there's some equilibrium there."

Michael Tintelnot, vice president and general manager of Capital Management International GmbH of Deutsche Bank, New

*Continued on page 38*

# *Numbers games used to claim proxy victory*

**By Marcia Parker**

Corporate management and institutional investors that sponsored anti-poison pill resolutions this year all are claiming victory now that the 1987 proxy season has come to a close.

Both sides are claiming moral victory because of a disagreement over methodology in the proxy area: Should success be measured in terms of the percentage of votes cast, or as a percentage of total outstanding shares? In addition, different ways of measuring abstentions also influence the hotly contested numbers game.

The disagreement carries over to the sensitivity each side has toward what the proposals are called, with proponents preferring "shareholder rights," and opponents, "poison pills."

And the tension underlying the proxy-counting contest promise issues between management and shareholders is far from over.

Confident of their achievements during their first proxy season as full-fledged activists, institutional investors are preparing strategic plans for making their presence as shareholders felt throughout the year.

Some are considering asking chief executives to meet with them frequently to review performance. Others are looking at lobbying outside directors to monitor companies — in effect, serving as watchdog for large shareholders.

At least one large public fund may target six "underperformers" and make a special effort to persuade management to do more to boost the value of the company for shareholders.

All are considering whether to

*Continued on page 36*

## Summary of voting results of shareholder rights proposals

| Company | Proposal sponsor | % institutional ownership 12/31/86 | Georgeson & Co. Report - % voting for proposal (with abstentions) as a % of outstanding | Georgeson & Co. Report - % voting for proposal (with abstentions) as a % of shares voting on proposal | IRRC % voting for proposal (no abstentions) as a % of outstanding | IRRC % voting for proposal (no abstentions) as a % of shares voting on proposal |
|---|---|---|---|---|---|---|
| AMR | CalSTRS | 71 | 27.4 | 37.9 | 45.9 | 54.1 |
| American Cyanamid | CREF | 58 | 19.8 | 28 | 28.4 | 71.6 |
| Anheuser-Busch | CalSTRS/CalPERS[1] | 53 | 10.4 | 15.9 | 16.4 | 83.6 |
| Champion International | Carpenters | 61 | 19.9 | 30.7 | 33.2 | 66.8 |
| Colgate-Palmolive | CalSTRS/CalPERS | 45 | 13.8 | 21.4[3] | 21.4 | 78.6 |
| Control Data | CalSTRS | 69 | 18.4 | 28.9 | 29.7 | 70.3 |
| Eaton | CREF | 54 | 24.8 | 32.6 | 32.7 | 67.3 |
| Emery Air Freight | State of Wisconsin | 48 | 26 | 33.9 | 41.4 | 58.6 |
| Federated Department Stores | CREF | 73 | 27.8 | 36.2 | 36.2 | 63.8 |
| Great Northern Nekoosa | CalSTRS/CalPERS | 68 | 28.6 | 40.2[4] | 40.2 | 59.8[6] |
| Honeywell | CalSTRS/CalPERS, State of Wisconsin | 67 | 12.9 | 25.5[3] | 25.5 | 74.5 |
| Hospital Corp. of America | CalSTRS/CalPERS | 61 | 24.5 | 35.1 | 35.8 | 64.2 |
| International Paper | CREF | 56 | 18.7 | 26.3 | 27.7 | 72.3 |
| Kraft | CalSTRS/CalPERS | 50 | 15.5 | 22.4[3] | 22.4 | 77.6 |
| Kroger | CalSTRS/CalPERS | 35 | 17 | 22.4 | 22.4 | 77.6 |
| Louisiana Land & Exploration | CalSTRS/CalPERS | 67 | 19.9 | 25 | 27.1 | 72.9 |
| McDonald's | CalSTRS/CalPERS | 57 | 25.3 | 32.3 | 35.4 | 64.6 |
| Mobil | Individual | 45 | 20.1 | 27.2 | 27.2 | 72.8 |
| Monsanto | CalSTRS/CalPERS | 63 | 20.8 | 26.8 | 30.8 | 69.2 |
| NCR | CalSTRS/CalPERS | 66 | 21.6 | 26.4 | 29.9 | 70.1 |
| J.C. Penney | CREF | 61 | 25.3 | 29.2 | 31.5 | 68.5 |
| Pitney Bowes | CREF | 68 | 23.9 | 32.6[3] | 32.6 | 67.4 |
| Raytheon | CREF | 60 | 20.9 | 30.2 | 30.2 | 69.8 |
| Santa Fe Southern Pacific | Individual | 44 | 14 | 20.1 | 20.1 | 79.9 |
| Schering-Plough | CREF | 60 | 19.7 | 27.1[3] | 27.1 | 72.9 |
| Texaco | CalSTRS/CalPERS | 42 | 16.7 | 26.9[3] | 26.8 | 73.2 |
| Unisys | CalSTRS/CalPERS | 67 | 12.5 | 28.7[3] | 22.3 | 77.7 |
| United Technologies | CREF | 54 | 24.3 | 28.3 | 32.9 | 67.1 |
| Upjohn | CalSTRS/CalPERS | 59 | 26.8 | 34.5 | 40 | 60 |
| USG | CalSTRS/CalPERS | 43 | [2] | [2] | 27.9[5] | 72.1[5] |
| USLife | CalSTRS/CalPERS | 53 | 18.5 | 25.1 | 26.2 | 73.8 |

[1] California Teachers'/California Public Employees'
[2] Not voted at meeting
[3] Without abstentions
[4] Using total quorum
[5] The proponent did not appear in time
[6] The company provided these figures

# Bill would protect pension surplus in takeover

By Nicky Robertshaw

WASHINGTON — A major Senate tender-offer reform bill would forbid corporations from using surplus pension assets to finance a takeover for five years after a change in control of the corporation.

In introducing his long-awaited Tender Offer Disclosure and Fairness Act of 1987 on June 4, Senate Banking Committee Chairman William Proxmire, D-Wis., said as a result of takeovers, "American workers are plundered even when they are not terminated." He cited federal statistics that found $12 billion in pension surpluses have been diverted to corporate raiders.

As of May 4, corporations have recovered $15.65 billion in surplus assets from their pension plans since 1980, with another $853 million in excess assets in pending terminations, according to the Pension Benefit Guaranty Corp.

Mr. Proxmire pointed to a plan by Darien, Conn.-based Schick Co., which recently took over Reeves Brothers Inc., Spartanburg, S.C., to terminate Reeves' pension plan and use $25 million in surplus funds to repay debt incurred in the takeover (*Pensions & Investment Age*, March 23). "None defended this plan," including the company, its bankers and its advisers, Mr. Proxmire noted in remarks in the Congressional Record.

An AFL-CIO official applauded the bill. "The workers' pension money should not be used to finance takeovers," said Larry Smedley, associate director of the union's department of occupational safety and health and social security. Since raiders often look at surplus pension assets as a partial inducement for takeovers, "pension funds should not be separate from the question of takeovers," Mr. Smedley said.

"It's absolutely the right thing to do," said Leigh Trevor, a Cleveland attorney who is president of Stakeholders in America, a group of corporate executives. "It's outrageous to permit pension assets to be used to finance the equivalent of a Falkland Islands military operation on a corporation."

He added the bill limits access by both outside corporate raiders as well as management seeking to take the company private.

"What bothers me most is that it's making pension policy on a piecemeal basis," said Seth H. Tievsky, an attorney with The Wyatt Co.'s research and information center in Washington. He pointed out terminating or establishing a pension fund is purely a non-fiduciary duty, and that a blanket five-year ban on reversions "is potentially unmanageable because it doesn't take into account changed business circumstances, for example."

"Cash is cash, and if you have a certain amount of money in general corporate funds, how do you know if it's the $20 million from reversions or from somewhere else?" said George Cowles, senior vice president of Bankers Trust Co. and a member of the Association of Private Pension and Welfare Plans' executive committee.

He said the first issue to address is whether the pension surplus belongs to the employees or to the company. "If it belongs to the company, then it's just another corporate asset."

While the Senate bill, S. 1323, is the primary vehicle for tender-offer reform in the Senate, its counterpart in the House, H.R. 2172, introduced by Energy and Commerce Committee Chairman John M. Dingell, D-Mich., does not mention the pensions issue. The subject, however, is expected to come up during hearings.

One reason the House bill lacks a pension provision is jurisdictional; legislation related to pensions is under the aegis of the House Education and Labor Committee.

One complaint about the Senate bill, hearings on which are scheduled for June 23-25, is that its focus on correcting takeover abuses includes insider trading and doesn't fully address the problem of pension reversions, according to Alan Reuther, associate general counsel for the United Auto Workers, Washington. "This might solve one small subset of the problem but it does not address it comprehensively."

"I wish they would take (the pension clause) out of the Proxmire bill," said Robert A.G. Monks, president of Institutional Shareholder Services Inc., Washington. "This is a serious question and it is more appropriate in terms of jurisdiction to be part of the pension law."

Separately, the Reagan administration has proposed altering funding rules of the Employee Retirement Income Security Act to both make it easier for employers to withdraw surplus assets from their pension plans and toughen funding rules for underfunded plans.

The Proxmire bill also calls for allowing pension fund investment managers — both internal and external — to reject a tender offer without violating their fiduciary duties under ERISA. This means fund managers could take a more long-term view and wouldn't be forced into supporting corporate raiders.

Yet a focus on short-term results is something dictated more by the desire of money managers to p'ease their clients than ERISA, said Mr. Cowles.

The Proxmire bill, in addition to the pension fund provision, calls for an array of takeover reforms including more complete and prompt disclosure by corporate raiders, tougher penalties for insider traders and bans on "greenmail," "golden parachutes," "poison-pill" provisions not approved by shareholders and other controversial takeover activities. ■

## Corrections & clarifications

• **NCNB National Bank**, Charlotte, N.C., is not getting out of the custodial business, as was reported incorrectly May 4. NCNB has 125 separate corporate custodial accounts and is looking for more, a bank executive said.

• The five-year median return for the period ended March 31 was omitted from the bar charts for the **PIPER** equity funds in the May 18 issue. The figure is a compound annualized 24%.

• In a June 1 article, the company Hiram F. Moody Jr. will join was misidentified. It is the **Home Insurance Co.**, New York.

• The 1985 median composite return stated for **Management Asset Corp.**, Westport, Conn., was reported incorrectly in a June 1 story. The correct figure is 24.6%.

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## Payden & Rygel index of short maturity assets*

(for month ended May 31)

| | May 1987 | Quarter ended 3/31/87 | Year to date | 12 months ended 5/31/87 | Yield level monthly change* |
|---|---|---|---|---|---|
| | | Unannualized total returns | | | |
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4493 | 1.4350 | 2.3955 | 6.0029 | 15 |
| Domestic C.D. | 0.5583 | 1.5125 | 2.5249 | 6.3631 | 19 |
| Eurodollar C.D. | 0.5858 | 1.4925 | 2.5376 | 6.4974 | 15 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.4437 | 1.3950 | 2.2571 | 6.1840 | 20 |
| Domestic C.D. | 0.5079 | 1.3875 | 2.1198 | 6.0959 | 22 |
| Eurodollar C.D. | 0.5347 | 1.3075 | 2.1055 | 6.2453 | 20 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.3351 | 1.2850 | 1.7226 | 6.2402 | 26 |
| **2-year** | | | | | |
| U.S. Treasury note | 0.0840 | 1.2275 | 0.3489 | 6.0991 | 31 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.

[a]Basis points.

Source: Payden & Rygel, Los Angeles

# Disbursement . . .

*Continued from page 13*

ing attractive prices," said Ms. Rollins.

Forrest Johnson, senior vice president of Phoenix-Hecht, Research Triangle Park, N.C., said another reason for the drop in prices is the higher degree of automation the banks are using as part of their controlled disbursement product.

"It's less dependent on a phone call or a series of phone calls than before," said Mr. Johnson. "Other cash management services, such as lockboxes, are more labor-intensive."

Other executives said banks also have become more sophisticated in analyzing the costs of the services they offer. With a firmer grasp on expenses, bank officials can adjust the prices for various services accordingly.

Although the drop in disbursement prices may mean significant savings for a corporation, many executives said the total situation should be examined before agreeing to switch disbursement banks.

"We're not making decisions strictly on price because I think that would be a false economy for us," said David E. White, supervisor of treasury operations at ICI Americas Inc., Wilmington, Del. ICI Americas is in the process of reviewing both its disbursement and collection systems (*P&I Age*, May 4).

"I just don't think (pricing) is the No. 1 relevant factor," he said, adding quality is the important factor.

Mr. Johnson said corporate executives should be wary of hidden disbursement costs.

"For a corporation, it's the total cost of the disbursement system that is important," he said. While the per-item charge may be lower, other costs, such as account maintenance charges, might keep the total cost the same or possibly increase the expense. ■

# Bethlehem . . .

*Continued from page 13*

which are targeting their suppliers, Bethlehem is promoting the change first among its customers.

Messrs. Robinson and Price said Bethlehem isn't requiring its customers to adopt X12; and until the companies all do, it will continue to operate various systems to communicate trade information in the form a customer prefers, from paper to any specific electronic formats.

Mr. Price said customers, as well as Bethlehem, can cut costs by using the X12 standard. Although computer-to-computer communication for ordering is more efficient in general by eliminating clerical work and errors from rekeying paper-based data, he said the variety of electronic formats now in use mean both customers and suppliers have to have different software programs for transactions with different companies or different industries. In addition, electronic data interchange, especially under the standard X12 format, facilitates trade relations and communications in the current just-in-time inventory environment, requiring frequent ordering.

Although the use of corporate electronic trade payments gets a lot of attention, proponents of electronic data and funds transfer, such as the Automobile Industry Action Group, a Detroit-based trade organization, and others have noted the greatest saving in the ordering process comes from communicating all the trade information electronically rather than the actual payment.

Bethlehem's electronic data communication is integrated with the company's accounting, meaning the ordering transaction automatically is updated in its accounting system and the steel company doesn't have to rekey data from customers.

Although orders and shipments are made through its steel plants, Bethlehem's accounts payable system is centralized and sent out from its Pennsylvania headquarters where records indicate which communication format — paper, proprietary electronic, or X12 electronic — a customer prefers. ■

*Pensions & Investment Age* will publish profiles and a ranking of the largest international money management firms in the June 29 issue.

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# Leasing

# Leasing meets range of companies' needs

**By Brad Rudin**

From the simple to the exotic, from the tax-driven to the purely economic, leasing gets high marks from equipment users because it meets a wide range of needs.

An informal telephone survey of lessors and lessees backed up predictions the leasing industry would thrive despite the Tax Reform Act of 1986.

The survey by *Pensions & Investment Age* covered such equipment as airplanes, computers, furniture, rail cars and power plants.

By cutting tax rates, eliminating the investment tax credit and slowing depreciation for some property, Congress reduced leasing's tax advantages.

But Congress also gave leasing a boost by establishing an alternative minimum tax that encourages some equipment users to lease because ownership generates depreciation write-offs that are added to alternative minimum tax calculations. By leasing from a lessor that can use depreciation write-offs, lessees get these tax benefits through lower lease rates.

Even the legislation eliminating the investment tax credit creates opportunities for tax-advantaged leasing. While repealing the investment tax credit for equipment placed in service after 1985, Congress also established transition rules governing the use of investment tax credit carry-forwards to taxable years beginning after Dec. 31, 1986. The rules require the phase-in of a 35% reduction in the value of the credit that is carried forward.

General Electric Credit Corp., Stamford, Conn., urges equipment users to accelerate the use of investment tax credit carry-forwards into earlier tax years so they can reduce the amount of the reduction. Sale-leasebacks can accelerate the use of these carry-forwards because the transaction creates a "tax liability, and, thereby, increases the potential for using more ITC carry-forwards in the year of sale," according to a pamphlet published by the GECC.

Still, much of the leasing industry's recent growth comes from the non-tax advantages that lessees enjoy, according to the 1987 U.S. Industrial Outlook published by the Department of Commerce. The percentage of lease deals motivated by tax advantage — 60% in 1984 — is falling, according to the report.

How tax reform will affect the lease/buy decision remains uncertain for many users.

"We're analyzing that right now," said Thomas D. Marion, assistant treasurer at the Trailer Train Co., Chicago. "We're not sure how we're going to come out."

The non-tax attributes of leasing — 100% financing, off-balance sheet treatment of lease payments, maintenance contracts and a hedge against technological obsolescence — have stimulated much of the leasing industry's recent growth, the report says.

The sale-leaseback of big-ticket assets offers another advantage. "Companies are realizing that they are sitting on assets that are worth something," said Madeline Bayliss-Allen, vice president at The CIT Group/Equipment Financing Inc., Livingston, N.J., which provides asset-based financing and leasing to equipment manufacturers and users.

"To me, it is the commercial equivalent of what is happening in the home equity finance market. Whoever is the owner of those assets is converting the value of those assets to some form of capital that they can use for other purposes."

Competition among lessors has sparked another advantage for equipment users: Some lessors are offering aggressive rental rates, basing the rates on unrealistic estimates of the equipment's residual value.

"There are people out there who are desperate for transactions, who are willing to go below where it makes financial sense," said Harvey Kinzelberg, chairman of the Meridian Leasing Corp., Deerfield, Ill.

There is a wide range of motivations behind leasing deals.

For example, Aetna Life & Casualty, Hartford, Conn., last year completed a $9 million leveraged lease transaction that was structured by First NH Resources Inc., Boston. That transaction financed the use of Steelcase office furniture.

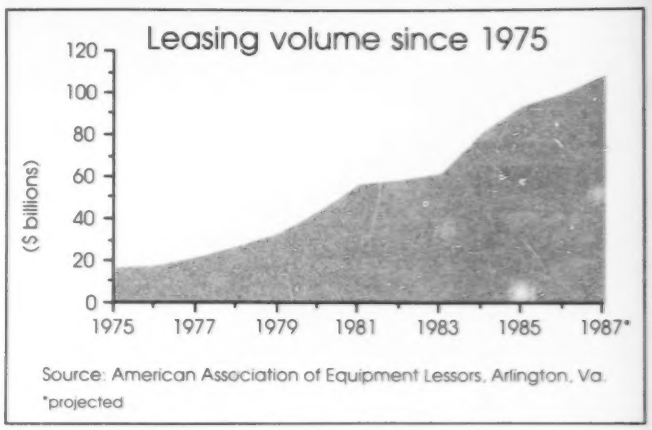
Leasing furniture makes sense under the accounting rules that govern the insurance industry, said Joseph P. Herzog, Aetna's director of corporate finance, because buying furniture erodes the surplus that governs how much business an insurance company can write.

Getting financing that would be allowed under the covenants of an industrial development revenue bond was the reason for a $4.6 million master lease facility entered into late last year by the West Co., Phoenixville, Pa. The manufacturing company decided to lease equipment because leasing is not counted against the $10 million project finance cap that governs the recipients of development bond proceeds, said Fred C. Lohrum, president of BancBoston Leasing Co., Boston.

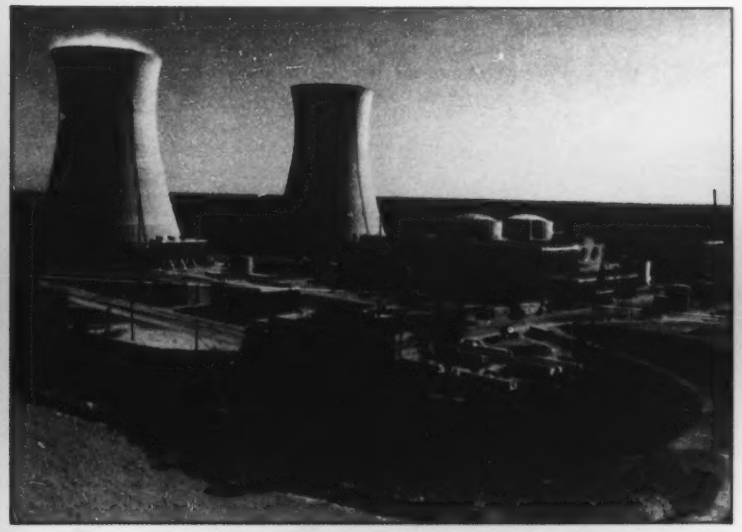
In a much bigger lease transaction, American Airlines made commercial aviation history with a "rent-a-plane" agreement with Airbus Industrie and the Boeing Commercial Airplane Co.

The March 1987 deal, valued between $2.2 billion and $2.5 billion, gives American the right to return 15 planes to Boeing and 25 to Airbus during the first 10

*Continued on page 20*




Source: American Association of Equipment Lessors, Arlington, Va.
*projected



*Leasing can translate into savings for some companies. A utility used a sale/leaseback arrangement for part of its interest in a nuclear power plant to save its customers money. Transportation companies often lease equipment to free capital for other uses.*

## The top 10 in leveraged leasing

| Company | Total volume ($ mils.) | Underwriters |
|---|---|---|
| Northwest Airlines | 760.1 | First Boston; Bankers Trust |
| Catalyst Energy Development | 706.9 | Drexel Burnham Lambert; Goldman, Sachs |
| Public Service Co. of New Mexico | 575 | Kidder, Peabody; Drexel Burnham Lambert; Goldman, Sachs |
| Bethlehem Steel | 495 | Morgan Guaranty Trust; Goldman, Sachs |
| Arizona Public Service | 491.3 | First Boston |
| Fred Meyer | 397.7 | Goldman, Sachs |
| Delta Air Lines | 384.1 | Citicorp |
| IBM Credit[1] | 367 | Merrill Lynch Capital Markets |
| American Airlines | 344.3 | Merrill Lynch Capital Markets; Salomon Brothers; PaineWebber; Babcock & Brown Financial; Bankers Trust |
| Western Air Lines[2] | 314.7 | PaineWebber; Salomon Brothers |

[1] Partnership between IBM Credit and outside investors
[2] Merged with Delta September 1986
Source: IDD Information Services Inc., New York

# Capital plentiful for transactions

**By Brad Rudin**

Capital for privately placed lease transactions will be plentiful in 1987, creating opportunities for equipment users, according to investment bankers.

Airline and utility companies, which dominated the list of major lessees in 1986, will reap the benefits of this surfeit of capital.

"For 1987, the supply of equity dollars vastly exceeds the supply of deals," said Donald R. Kendall, a managing director at Drexel Burnham Lambert Inc., New York. "Market rates are very, very competitive today and there are not enough leasing transactions available."

The excess of equity largely results from the expanded role of utility companies and banks in the leasing business.

Utility companies that have finished major projects look at equity positions in leasing deals as attractive investments. Banks have taken a greater interest in leasing deals because they seek tax-advantaged investments to replace the shelter on tax-exempt bond interest income that Congress killed in the Tax Reform Act of 1986.

Bruce E. Walenczyk, a vice president at Kidder Peabody & Co., also offered a bright assessment for the opportunities awaiting equipment users. "It's a good time to be a lessee."

Leasing offers a 400 to 500 basis-point advantage against other borrowing rates for equip-

*Continued on page 21*

# A new market for leases

## Securitization of receivables has bright future

By Brad Rudin

Publicly traded securities based on lease receivables may be poised for a second stage of growth as lessors, investment bankers and investors learn more about this 2-year-old financing instrument.

"It's my view that over an extended period of time — perhaps five or 10 years — the securitization of receivables will become a way of life in our industry," said Joseph J. Carroll, chief financial officer of The CIT Group, Livingston, N.J., the asset-based financing unit of Manufacturers Hanover Corp., New York.

He likened the future of securitized lease receivables to the development of the mortgage-related market, which grew slowly in the 1970s before becoming entrenched this decade.

*Joseph J. Carroll, chief financial officer of The CIT Group.*

*John R. Zacamy, Morgan Stanley & Co. managing director.*

Mortgage-related securities spawned products based on other assets — credit card receivables, car loans and lease receivables.

These non-mortgage products, first issued in 1985, are known as asset-backed securities.

Although growth has been slow — the volume of publicly traded lease-based deals rose only 12.3% in 1986 to $380 million compared with the 734% increase in all asset-backed securities to $10.3 billion — new players and products are expected to hit the public capital markets this year.

For example, Morgan Stanley & Co., New York, which previously has not been lead manager of an asset-backed issue, plans to introduce a securitized lease deal. Although John R. Zacamy, a managing director, would provide no details, he said, "It will be like no other structure."

Officials at Salomon Brothers Inc., the second-ranked investment bank in the receivable-backed market, have hopes of doing deals based on car lease receivables. If Salomon underwrites a car lease deal in the public market, it would be the first such transaction done by a Wall Street firm.

While officials at first-ranked First Boston Corp. expect the volume of publicly offered securitized lease receivables to reach $1 billion this year, John E. Graham, a vice president at Morgan Guaranty Trust Co., New York, said officials there tend "to think the private end of things is going to be where the development is going to happen most rapidly."

The private market has more potential for growth "because the public deals are just not at this point flexible enough to allow for some of the nuances in leasing," Mr. Graham said, noting changes in a deal are easier to make with the small number of lenders who invest in the typical private transaction.

Securitization of lease receivables has attracted the interest of lessors, investors and investment bankers.

"Any financial services company is a user of funds," said Edward C. Bray, group manager of the finance and real estate group at Fitch Investors Service Inc., New York. "They are interested in every avenue available to raise money."

For the investor, the securities offer a chance to buy highly rated debt with a substantial yield advantage at a time when A-rated corporate paper is becoming an endangered species.

Although concerns about liquidity have restrained institutional investors' participation in this market, once money managers "understand the credits and have some confidence that the markets are broad enough and liquid enough to deal in them, they'll be there," said Lawrence S. Harris, senior vice president in charge of fixed-income management at Alliance Capital Management Corp., New York.

For investment bankers, the securitization of lease receivables means underwriting and trading opportunities.

Among the benefits of securi-

*Continued on page 22*

**Underwriting volume of publicly traded securities based on receivables ($ mil.)**

| | 1986 | 1985 |
|---|---|---|
| Lease-backed securities | 380.15 | 338.3 |
| Asset-backed securities* | 10,268.5 | 1,231 |
| Mortgage-related securities | 57,475.9 | 19,727.7 |

*receivable-based car loans, credit card debts and leases

Source: IDD Information Services Inc., New York, and Standard & Poor's Corp., New York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# Plentiful . . .

*Continued from page 17*

ment that qualifies for grandfathered investment tax credits and favorable depreciation deductions, Mr. Walenczyk said, adding the advantage shrinks to about 200 basis points for equipment that lacks favorable depreciation treatment and eligibility under the transition rules governing the investment tax credit.

Because of the increased competition, lessors are offering more favorable fixed-price purchase options, said Richard A. Sun, vice president at First Boston Corp., New York.

Debt financing for leasing deals is also in good supply, said Gregory Clifford, a managing director at Smith Barney, Harris Upham & Co., New York. Debt investors are as comfortable with leasing transactions as they are with ordinary private placements, he said.

In a leveraged lease, the equity investor typically provides between 20% and 40% of the capital needed to buy the equipment. The equity investor, also called the lessor, enjoys all the tax benefits flowing from ownership even though the equity stake is less than 100%. Debt investors, who have no recourse to the lessor in the event of default by the lessee, put up a majority of the financing. The loan is secured by the lenders' claims on the equipment.

The now-repealed investment tax credit as well as depreciation deductions and deductions for interest used to fund the investment have been the primary tax advantages for lessors, which have passed these benefits through to equipment users in the form of lower rates.

Because of the transition rules governing the investment tax credit, the tax advantages of leveraged leasing will continue through 1987, said Drexel's Mr. Kendall. In 1988, however, the number of tax-driven big-ticket deals will decline substantially.

Utility companies will continue to do sale-leasebacks because these transactions enable the companies to make rate requests that are more likely to be granted by state regulatory agencies, Mr. Kendall said. Utility companies often face regulatory resistance to the hefty rate increases that result from the construction of large power plants.

Of the 10 equipment users that did the greatest volume of leveraged leasing in 1986, three are utilities, according to data compiled by IDD Information Services Inc., New York.

- In December 1986, Catalyst Energy Development Corp., New York, sold the Springerville (Arizona) Unit 1 coal-fired generating plant in a $705 million sale-leaseback. Catalyst acquired the Springerville unit in June when it bought the Alamito Co., Tucson, Ariz., increasing the value of the acquisition to stockholders by selling the Springerville plant.
- In 1985 and 1986, Public Service Co. of New Mexico, Albuquerque, sold its interest in the nuclear-powered Palo Verde units 1 and 2, Wintersburg, Ariz., to investors in transactions that totaled $325 million in 1985 and $575 million in 1986. The sale-leasebacks allowed the company to reduce a significant portion of its highest cost first-mortgage debt and preferred stock. The Palo Verde complex provides power to six utility companies.
- Arizona Public Service Co., Phoenix, sold and leased back part of the Palo Verde Unit 2 in two 1986 transactions that were expected to save customers more than $130 million.

Equity financing of nuclear power plants could become more difficult because the big investors in these projects may be reluctant to increase their exposure to this kind of deal, said Kidder's Mr. Walenczyk. "I just wonder when their appetite is going to be tapped out." ■

## Search slated

WASHINGTON — The $750 million American National Red Cross retirement plan is planning a search for small-capitalization stock managers late this summer, according to William Rose, director of treasury operations.

One or more firms will be selected and funded from a reduction in existing equity accounts or termination of an equity manager. ■

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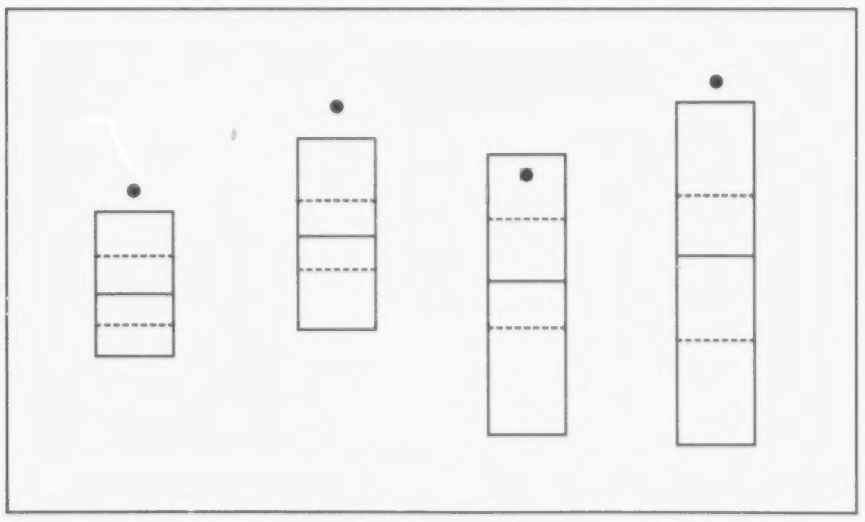



| | 10 Years | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| CCI Return (●) | 19.9 | 26.4 | 21.9 | 27.3 |
| SEI Ranking* | 3 | 1 | 7 | 1 |
| S&P 500 | 13.8 | 19.9 | 18.5 | 18.7 |

*Annualized Rates of Return*
**Source: SEI Funds Evaluation*
***Past results do not assure future performance.*

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# New market . . .

*Continued from page 19*
tization are:
- elimination of interest rate and maturity risk;
- new source of funds;
- riskless fee income from the servicing of sold receivables;
- removal of sold assets from the balance sheet;
- improvement of financial measurements resulting from the reduction of balance sheet assets and liabilities with the retention of servicing income; and
- financing costs that are competitive with conventional debt financings, especially when the cost of equity is figured in.

Stephen T. Whelan, a partner in the law firm of Thacher Proffitt & Wood, New York, offered more reasons for lessors to consider securitization. Because the Tax Reform Act of 1986 reduces the benefits associated with equipment ownership, equity investors in lease deals are not expected to dominate them as in recent years, Mr. Whelan said. Debt will become a more important aspect of equipment financing.

Also, securitization reduces financing transaction costs because uniform commercial code filings and searches are less important than in conventional financings, he said.

Another advantage is the deals' flexibility. A lease that contains a lessee-oriented provision such as early termination might be difficult to finance conventionally, but financing that lease in a pool of more than 100 leases dilutes the risk of such a provision, Mr. Whelan said. And reduced risk results in competitive rates.

Still, lessors have been relatively slow to sell their receivables in the public capital markets.

Notes backed by lease receivables first were sold in the public markets in March 1985 when Sperry Lease Finance Corp. issued $192 million of 11% lease-backed notes due 1991.

Sperry Lease Finance is a bankruptcy-remote subsidiary formed by what was then Sperry Corp. to issue lease-backed securities. In a bankruptcy-remote relationship, the assets held by the finance subsidiary would not be subject to creditor claims if the parent came under the protection of the bankruptcy code.

In September 1985, Sperry Lease Finance sold an additional $146 million of 9.45% lease-backed notes due 1991. And in December 1986, it sold $174,450,000 of 7.05% lease-backed notes due 1992. First Boston lead managed all those deals.

*John E. Graham, Morgan Guaranty Trust Co.*

Photo by Arnie Adler

*Stephen T. Whelan of Thacher Proffitt & Wood*

In the Sperry offerings, the parent company — now Unisys Corp. — sold assets to the subsidiary. Sperry Lease Finance then issued "pay-through" debt secured by pools of lease receivables.

(The "pay through" structure is where the debt is the liability of the issuer and is secured by the cash flow of the lease receivable. It differs from the "pass through" approach, in which investors have an equity interest in receivables held by a grantor trust.)

Although unconsolidated for bankruptcy-law purposes, the two entities are consolidated for tax purposes. As a result, the parent company retained the tax benefits on the equipment sold to the subsidiary. Sperry did not recognize a gain or loss on the sale for accounting purposes.

A proposal by the Financial Accounting Standards Board to consolidate majority-owned subsidiaries with the parent company would bar parent companies from pushing assets off their books once the sale of the receivables to the subsidiary is complete.

By reducing the amount of total assets for accounting purposes, parent companies have been able to report better returns on assets. Consolidation "makes one of the selling points a little more difficult," said David Sayles, an associate at First Boston Corp.

But in cases where pass-through certificates are issued — such as in the case of General Motors Acceptance Corp. — consolidation would actually encourage the securitization of assets, said Morgan Stanley's Mr. Zacamy.

General Motors Corp., after consolidation with GMAC, would have balance sheet liabilities it might want to pay down by selling auto loan receivables.

Besides Sperry, the only other long-term public transaction based on lease receivables was the Goldome Bank, Buffalo, N.Y., offering of $205.7 million of 6.6% certificates due 1991.

Asked about the slow growth in the volume of lease-receivable securities, Morgan's Mr. Zacamy said many large financial institutions with lease subsidiaries need the high-yielding assets now on their books. "They are not about to shrink the business."

David Roe, chief financial officer at Xerox Credit Corp., Stamford, Conn., said he remained wary of securitized lease transactions because these deals might restrict the lessors' freedom to negotiate with customers. While the customer wants an agreement that offers maximum flexibility concerning the disposition of the equipment, the investor favors restrictions that ensure a stable cash flow. "The investor doesn't care; all they want is their money," Mr. Roe said.

At BancBoston Leasing Co., Boston, President Fred C. Lohrum offered a similar concern about the restrictions securitization might impose on lessors. "We want the flexibility to control the situation." ■

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# Lease decisions . . .

*Continued from page 18*
tax will find leasing more attractive, or less unattractive. Further, the longer a business expects to pay the alternative minimum tax, the more attractive leasing becomes.

This is because the alternative tax tends to flatten out the tax advantage previously enjoyed by equipment owners relative to lessees. In the new tax environment, the alternative minimum tax pretty much eliminates accelerated depreciation by treating it as a tax preference.

Tables 3 and 4 show the cumulative tax shield generated by leasing and borrowing to buy for two different tax scenarios. In Table 3, the evaluating business expects to fall in the regular tax system at all times during the foreseeable future. Not surprisingly, the tax shield available under borrowing to buy in this case is created faster than under leasing, which increases the present value of ownership tax benefits.

If the evaluating firm expects to fall into the alternative minimum tax for the first five years, and to fall into the regular tax system thereafter, however, the tax results are shown in Table 4.

Note how the difference in tax shield between leasing and borrowing has been virtually eliminated until year six, when the firm has to "make up" the difference between the 20% alternative minimum tax and the 34% regular tax. By deferring the tax shield advantage of borrowing to buy, the present value cost advantage is diminished as well.

The present value cost differences between leasing and borrowing to buy for a number of tax system assumptions are shown in Table 5. The analysis supporting these values uses the debt displacement lease/buy model.

If the evaluating firm is a regular taxpayer, buying has a lower present value cost of $4,175. If the firm estimated it would pay the alternative minimum tax for one year and be a regular taxpayer thereafter, the present value cost advantage declines to $3,720. The longer a firm expects to pay the alternative minimum tax, the less attractive ownership becomes.

Leasing becomes more advantageous in this example if the expected excursion into the alternative minimum tax exceeds four years. ■

*Professor Johnson, the author of "The Fundamentals of Finance for Equipment Lessors," teaches finance at Northern Illinois University.*

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# Numbers . . .

*Continued from page 3*

make anti-takeover devices like poison pills an issue again next year. They may challenge other common defenses such as staggered boards and fair price amendments.

Thirty-three shareholder resolutions challenging poison pills at various companies were filed this year by the $37 billion California Public Employees' Retirement System, Sacramento; the $52.3 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund, New York; the $19.4 billion California State Teachers' Retirement System, Sacramento; the $13.5 billion State of Wisconsin Investment Board, Madison; and a few others.

None of the resolutions passed, although they did garner a vote count some would call significant. But the two camps are far apart when it comes to how to interpret the tallies.

Proxy sponsors insist they attracted an impressive level of support this year. Proxy solicitors, corporate executives and attorneys who represent client companies that were targeted say the resolutions didn't fare well at all.

"We think we did very well this year — we shot for 10% or 20% and we got 35% in some cases. The relationship between institutional investors and corporate management has changed. Large institutional investors have become a factor. We won't go back to being silent investors," declared Jose Arau, principal investment officer for the California employees fund.

Martin Lipton, the outspoken New York attorney from Wachtell, Lipton, Rosen & Katz who has long opposed these resolutions, is equally adamant in his view that the resolutions failed abysmally.

"As we reach the end of the May annual meeting season, it is clear the Council of Institutional Investors has suffered a stunning defeat in its proxy campaign against the poison pill," Mr. Lipton told clients in a memo May 26.

He called on the Securities and Exchange Commission to require groups of institutional investors with more than a 5% aggregate stake to file a 13D form with the agency "disclosing who they are and what they are up to."

A 13D must be filed when an investor acquires 5% or more of a company in connection with a tender offer.

Ian Lanoff, a Washington attorney with Willkie, Farr & Gallagher and secretariat of the Council of Institutional Investors, some members of which sponsored anti-pill resolutions, was angered by Mr. Lipton's comments, calling them "total bull----."

"Why is he trying to whip corporate clients into a frenzy when council members and other nonmember pension funds have tried to work with corporate managements? I don't think corporate executives are buying his venomous attack," Mr. Lanoff said.

He said the poison pill campaigns were fashioned by individual pension funds, not the council as a group, and he took issue with Mr. Lipton's suggestion that a 13D filing be required.

"The 13D filing is made in connection with an effort to acquire and take control of a company. Council members do not think we have the legal authority to act in concert and we weren't acting in concert," he said, adding the California public employees fund and the Wisconsin board are members, while TIAA-CREF is not.

Mr. Lanoff said the council members have said all along they want to be long-term stockholders in corporations and that they challenged the poison pills mainly on the ground they were put into place without being submitted to a shareholder vote.

Clearly, both proxy sponsors and corporate managements want to claim triumph during this year's season.

Proxy solicitors and their clients believe voting results should always be stated in terms of the percentage of outstanding shares. Looking at it that way, the votes on the shareholder proposals challenging poison pills appear to have garnered little support.

Data from Georgeson & Co. Inc., a New York proxy solicitation firm, show the vote tally both ways, but as a percentage of the outstanding vote, the tally ranges from 10.4% to 25.3%. (*See accompanying table.*)

"The vote as a percentage of outstanding vote is the truest measure of shareholder support," said John Wilcox, managing director and executive vice president at Georgeson.

Like his colleagues, Mr. Wilcox said the other two options — stating the vote as a percentage of the overall quorum or as a percentage of the shares cast on a particular proposal, are often misleading.

Using the percentage of shares voted, the anti-pill resolutions netted a low of 16.4% of the vote in one contest and a high of 41.4% in another.

Proponents of shareholder proposals, who usually state the results in terms of the number of shares cast on their proposals, are vehement that the proxy solicitors' habit of expressing the vote as a percentage of the outstanding shares is just as misleading.

"When it comes to approval, all that matters is the number of for and against votes cast," said James Heard, executive director of the Investor Responsibility Research Center, a Washington research group that tracks corporate governance issues. "Using the percentage of outstanding drops the level of support."

Perhaps the most closely watched poison pill contest was at International Paper Corp., New York, which put up a strong fight to keep the CREF-sponsored proposal off the ballot.

CREF's resolution netted about 9.8 million votes for, 25.5 million against, and 1.8 million abstentions. There were 52.4 million shares outstanding. By stating the results in terms of the number of votes cast, about 26.3% favored the CREF proposal. As a percentage of outstanding shares voted, the tally was 18.7%.

There are a few other problems with the numbers. Some votes include abstentions and some don't. Some tabulators count the abstention vote as the difference between the quorum figure (the total number of votes represented at the meeting) and the sum of the for and against vote. Others count the abstentions as only the boxes marked abstain. The SEC doesn't count abstentions.

Mr. Heard believes the high abstention rates — 2% to 20.4% — that occur in some cases mean money managers who cast ballots for their corporate pension fund clients don't want to vote against management so they abstain.

Most money managers deny they abstain, but they acknowledge this year there was more pressure from top executives, many of whom asked their money managers to let them review any votes that would be cast against the managements of companies. Many money managers said they avoided the problem by letting corporate managements cast the ballots. ■


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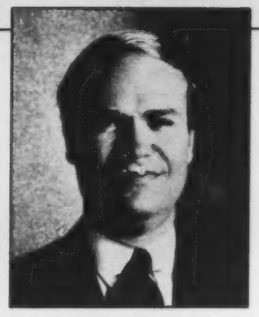
*John Dembeck says pension posts offer training for senior executives.*



*Jack Pope, American chief financial officer, ran the pension fund.*

## Pension execs move up ladder

**By Chuck Paustian**

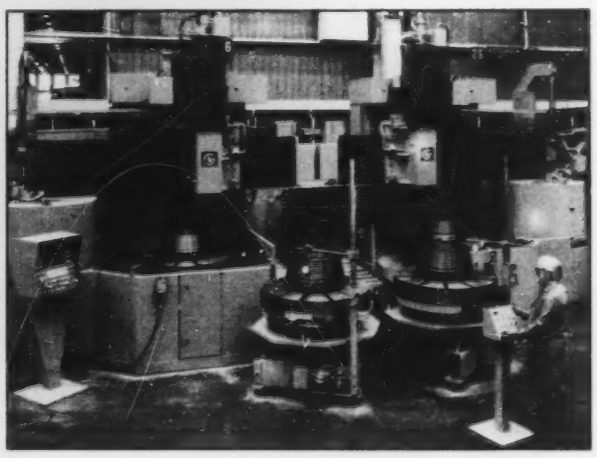
The pension post, once thought of in the industry to be somewhat of a dead-end job, has actually served as a stepping stone in the career paths of several corporate executives.

While all of the executives contacted had extensive academic training, and many had held other positions within the company, they all said the pension job offered opportunities for career advancement not found in other areas of the company.

"(The pension position) gives you a unique perspective on your company, from the capital market, outside-investor point of view," said William H. Schumann, treasurer of FMC Corp., Chicago. Before becoming treasurer, Mr. Schumann had been director of investor relations and investments at the company.

*Continued on page 58*

## Inside:




PENSION FUND SUFFERS: The corporate restructuring of AMCA International Ltd., which owns this Fond du Lac, Wis., machine tool plant, has put its pension fund out of much of this year's stock market rally — Page 8.

INTERNATIONAL MANAGERS: More than $50 billion in pension assets are being handled by international money managers on the 50



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## CTA fund switches to full tactical allocation

**By Barry B. Burr**

CHICAGO — The $800 million Chicago Transit Authority pension fund has adopted possibly the most complete use so far of tactical asset allocation through financial futures.

The technique uses futures to make frequent shifts in asset mix in hopes of maximizing expected return.

The new allocation model, run by The Boston Co. Inc., Boston, is the centerpiece of a major restructuring of the fund's equity managers. In all, the restructuring involves shifting $429 million, or about 54%, of the fund's assets.

Aside from Boston Co., CTA officials hired nine equity managers, retained three and is dropping five mutual funds and three separate account portfolios. Changes will occur over the next few weeks.

In addition, officials in August will begin a search for the fund's first one or two international equity managers, expected to be hired by year end, said Gregory C. Nagle, manager-pensions. Other international managers could be hired over the next year or two.

The tactical allocation model, a generic term for what Boston Co. calls a deployment optimizer, will adjust the asset mix of the CTA fund at least monthly and possibly 15 times or more a year, according to Mr. Nagle and Edgar E. Peters, Boston Co. vice president and portfolio manager.

Depending on the scenario presented by the model, the CTA will change its equity mix from 20% to 80%, its bond allocation from 20% to 80% and its cash proxies from 60% to zero using futures.

The allocation model will affect about 60% of the fund.

The asset shifts using futures won't affect the CTA allocation to its investment managers.

"It will simply be an overlay done by Boston Co. to effect the change," Mr. Nagle said.

The fund's allocation of its investment assets among its managers will be 65% equities, 16% real estate and 19% cash, though its target is 65% equities, 20% real estate and 15% cash.

The CTA's current 60% equity allocation will increase to 65% once the new managers are funded. Because the CTA holds no bonds, Mr. Nagle said the model was adjusted to use the real estate allocation as a proxy for 20% of the bonds.

Until it increases the real estate allocation over the next couple of years to 20%, Boston Co. will go long in fixed-income futures, adding 4% to the real estate/bond allocation and thus reducing cash to the 15% target allocation.

Through tactical allocation, the fund expects to achieve a higher return by adjusting its asset mix periodically, Mr. Nagle said.

The fund uses futures because frequent buying and selling of stocks and bonds to change the asset mix would be too costly and time consuming.

Tactical allocation, a type of market timing, uses some of the same futures instruments and overlay techniques as portfolio insurance or dynamic hedging.

Portfolio insurance, however, tries to minimize loss, while tactical allocation seeks to maximize return.

Robert D. Arnott, vice president for equity and asset allocation strategy, Salomon Brothers Inc., New York, said, "As the market plummets, tactical asset allocation will tend to buy (stock index futures), while portfolio insurance will sell."

Although a number of other sponsors are using tactical allocation for part of their funds, the CTA appears to be most aggres-

*Continued on page 55*

Photo by Mike Marcotte

*Gregory C. Nagle, manager-pensions, said the CTA fund has adopted a tactical asset allocation model using financial futures.*

## Trust to aid steel plans

**By Nicky Robertshaw**

WASHINGTON — Sen. John Heinz, R-Pa., contends the ailing steel industry could be rescued if steel companies would issue stock warrants to back a special trust fund he wants set up to pay supplemental retirement benefits.

A bill he is sponsoring, which is supported by organized labor and the steel industry, would make it easier for financially troubled steelmakers to close outmoded or excess-capacity plants. The costs associated with shutdowns sometimes have prevented the industry from streamlining and returning to profitability, said Milton Deaner, president of the American Iron & Steel Institute, Washington.

The newly created trust would cover certain supplemental retirement benefits, such as early retirement and plant shutdown benefits, that would have been generated from 1982 through 1990 from loss of steelmaking capacity. Total U.S. steel industry capacity is expected to shrink to 112 million tons in 1987 from 154 million tons in 1982, according to preliminary figures from the institute's annual statistical report.

Sen. Heinz's plan, however, does not address the massive unfunded pension liabilities accrued by steel companies. Most of those benefits are covered by the Pension Benefit Guaranty Corp.

In a speech to the United Steelworkers of America in Washington, Sen. Heinz outlined his plan for a Steel Industry Revitalization Act, which is being drafted. Plans are to move the proposal through this session, probably by attaching it to the budget reconciliation bill to be considered this summer, an aide to Sen. Heinz said.

The aide estimated supplemental benefits would not total more

*Continued on page 59*

*Stateville Prison in Joliet, Ill., makes use of the security and detention systems created by Folger Adam. Folger Adam, which is riding the wave of America's lock-'em-up craze, may be going public soon.*

# Folger Adam looks to secure its future

**By Marcia Parker**

LEMONT, Ill. — Folger Adam Co., a family-owned prison lock and detention equipment manufacturer that went private less than two years ago, is riding high on the nation's "put 'em behind bars" craze and the world's newly raised security consciousness — and speculation is the company soon will go public again.

**Corporate finance**

Since it went private in a leveraged buy-out, Folger Adam has grown rapidly, primarily by acquiring companies and unveiling new twists on old products, in a fast-paced market, where annual growth rates of 10% to 15% are not uncommon.

While it is not a big-name leveraged buy-out like Beatrice Cos., Folger Adam's story is a good example of what happens to a company after it has been taken private but before it has come full circle and gone public.

When Folger Adam was purchased in August 1985 by members of its management and Adler & Shaykin, a New York investment firm specializing in management leveraged buy-outs, it was an old-line, family-owned manufacturer with a well-respected, but limited, line of prison-related supplies. Sales for the fiscal year ended March 31, 1985, amounted to $22.5 million.

The growth prospects in the industry were clear, but Folger Adam didn't have the capital to make a big splash through acquisitions.

"Before the leveraged buy-out, we had the money to fuel internal growth, but we didn't have the capital to fund acquisitions," said Donald Stading, president. "Folger Adam couldn't have done it on a stand-alone basis."

With extra capital raised by

*Donald Stading credits the LBO with funding acquisitions.*

Adler & Shaykin that's been pumped into the company, Folger Adam has become a leading manufacturer, consultant and installer

*Continued on page 59*

# Judge to weigh bid to block BP merger

**By Marcia Parker**

CLEVELAND, Ohio — An Ohio judge is expected to hear June 29 the California Public Employees' Retirement System's challenge of a proposed settlement between Standard Oil Co. minority shareholders and British Petroleum Co., which BP officials hope will complete their $7.7 billion bid for Standard Oil.

Judge Thomas Pokorny of the Court of Common Pleas of Cuyahoga County, Ohio, was scheduled to hold the hearing June 29 to decide whether to approve the settlement of London-based BP's final $71.50-per-share plus warrants offer for Standard Oil.

The $37.7 billion California pension fund owns 779,500 shares in Standard Oil and is the only minority shareholder challenging what it calls a "coercive" settlement that is an "attempted freeze-out of the minority shareholders."

It has also questioned whether BP breached its fiduciary duty to minority shareholders by failing to ask its investment banker, Goldman Sachs & Co., to render an opinion on BP's final offer.

If Judge Pokorny concurs with the objections of the Sacramento, Calif.-based pension fund to the proposed settlement, BP's acquisition of Standard Oil, Cleveland, could be held up indefinitely. Lengthy court action likely would follow.

BP officials had no comment on the California fund's action.

After minority shareholders, including the California pension fund, balked at BP's initial $70-per-share, all-cash offer in March and filed class-action suits, BP forged a settlement based on the higher, $71.50-per-share plus warrants offer.

All of the minority shareholders

*Continued on page 60*

# Flat economy will close out the year

**By Fred Williams**

Economists have all but given up on a recession this year and look for flat economic growth in the second half, after being off the mark in their predictions for gross national product and long-term interest rates during the first half of 1987.

Following the interest-rate run-up in the first half, economists have scaled back their interest rate projections on 30-year Treasury bonds for the second half, and believe inflationary pressures are receding.

In a December survey by *Pensions & Investment Age*, 12 leading economists predicted the interest rate on 30-year Treasury bonds would be between 6% and 7.25% by June. Rates on long-term bonds are at about 8.32% and were more than 9% at one point in June.

Eight of the 12 were surveyed again late this month; they predict long-term bond rates of between 7% and 10.3% by the end of the year.

Many of the economists point to rapid inventory accumulation caused by inflationary pressures and the decline of the dollar on foreign exchange markets as the primary reasons for missing on their last try.

Frank Schott, chief economist at the Equitable Life Assurance Society of the United States, New York, had called for long-term bond rates of 6.9% in June; he's now forecasting 8.5% by the end of the year.

"What went wrong was the interest-rate uplift I expected was a little earlier than I expected. It was partly related to inflation, which was worse than expected, and the dollar weakness, which was much worse than expected," he said.

"The worst mistake was calling for 6.9% on 30-year bonds instead of 8.4%. In order to calm down the investment markets, the Fed had to move toward higher interest rates, and it was more pronounced on the long end."

Like many of his colleagues, Mr. Schott was expecting a rise in interest rates, but "I put most of the rise in the second half. I now think rates will remain stable in the second half. It occurred sooner than expected, but for the year will be a modest increase."

Georges Rocourt, chief economist at Mercantile Safe Deposit and Trust Co., Baltimore, said timing was the chief factor in missing the call on long-term rates. He had called for midyear bond rates to be 6.8%; he's forecasting long-term rates to be 7.5% by 1988.

"It was all timing. I thought we would get at rise in rates and it would be over by May and then start down again. We had a stronger economy and stronger commodity prices, as well as renewed inflationary expectations and a rise in inventory growth . . . resulting in higher rates (in the first half)," said Mr. Rocourt.

According to Mickey Levy, senior vice president and chief economist at Fidelity Bank in Philadelphia, interest-rate pressures were due in large part to Fed monetary policies in response to inflationary pressures.

"I was looking for another Fed easing, which didn't occur. There was a tightening by the Fed rather than an easing. Inflationary expectations were going up. A steepening of the yield curve reflects inflationary expectations," said Mr. Levy. "Now, rates may come down in the near term but they will be up by year end."

Mr. Levy had anticipated 7% on 30-year bonds by midyear and now looks for 9.25% by year end.

The forecast rates on 90-day Treasury bills for June were closer to reality. Most projected short-term rates of about 5.75% by June. The rates are now about 5.64%. The economists are calling for short-term rates to be between 5% and 7.6% by the end of the year.

### GNP growth

The economists also were off when predicting growth in the gross national product for the first half. In December, the range was −3% — from Deborah Johnson, senior economist at Prudential-Bache Securities, New York — and 7.5% — from David Levine, chief economist at Sanford C. Bernstein & Co., New York. Most were forecasting GNP growth of just more than 2%.

Now, those surveyed believe GNP will show a growth rate of about 3.1% when the Commerce Department releases its statistic for the first half.

*Continued on page 51*

*Frank Schott*
*Equitable Life*

*Georges Rocourt*
*Mercantile Safe Deposit*

*Mickey Levy*
*Fidelity Bank*

*David Levine*
*Sanford C. Bernstein*

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# PBGC terminates 5 LTV fund managers

By Fred Williams

WASHINGTON — The Pension Benefit Guaranty Corp., has terminated five investment management firms it inherited from The LTV Corp. in January when the company terminated four steel unit pension plans, and is starting to fold LTV's assets into its investment management structure.

In another development, the PBGC broadened the contract of consultant Wilshire Associates, Santa Monica, Calif. Wilshire, which has provided some measurement services 1980, now is a full-time consultant in such areas as investment analyses, management advisory services and case-related investment assistance.

With the assets of Dallas-based LTV, the PBGC terminated, effective June 1, Western Reserve Capital Management Inc., Dallas, a wholly owned subsidiary of LTV. Within a few days, the PBGC terminated equity accounts with Batterymarch Financial Management, Boston; InterFirst Investment Management Inc., Dallas; MSecurities Corp., Dallas; and MacKay-Shields Financial Corp., New York.

Western Reserve managed about $300 million of the assets turned over to the PBGC; amounts managed by the other terminated firms were not released.

LTV's remaining managers are Franklin Portfolio Associates Inc., Boston; Delaware Investment Advisers, Philadelphia; Lord, Abbett & Co., New York; Mellon Bank, Pittsburgh; Bankers Trust — Investment Management Group, New York; Scudder, Stevens & Clark, Boston; C B Institutional VI, New York; and Karsten Realty Advisors, Los Angeles.

The PBGC is reviewing the remaining managers, a process expected to take a few months.

"We are taking the time necessary to determine what is in the best interests of the pension fund and make an orderly transition in asset management. We are undertaking an evaluation of the asset management in order to make future decisions," a PBGC official said.

The official said the agency left LTV's structure intact for six months because PBGC staffers needed time to evaluate the disposition of the assets.

"We don't usually immediately liquidate assets (of terminated plans). There is usually an orderly transfer and it is common for companies to continue to be involved, but the time required varies depending on how large the fund is," she said. "LTV was unusual in the sense that the size and underfunded nature of the plans will take more time for us to review how the assets will be managed and for us to make the necessary decisions."

The PBGC assumed responsibility for $1.3 billion of LTV's approximately $2 billion in total pension assets. Trusteeship of the assets managed by the 12 external money managers was transferred to PBGC Jan. 13 along with an estimated $3.6 billion in unfunded liabilities for all LTV steel unit pension plans. The company filed for Chapter 11 of the Federal Bankruptcy Act in July 1986.

The PBGC initiated action to terminate LTV's Republic Steel retirement plan as of Sept. 30, 1986, after concluding the plan no longer could make payments to 3,000 retirees. ■

## Corrections & clarifications

Rowe Price-Fleming International Inc., Baltimore, provided incorrect information for *Pensions & Investment Age*'s profiles of the 50 largest international money managers. The firm has $51.5 billion in total foreign-invested assets under management, and $37.51 billion in international assets. The firm's directory profile is correct, but the new information was provided too late to be updated in *P&I Age*'s directory tables. Rowe Price-Fleming's corrected statistics would raise the firm's ranking among international managers one notch to eighth place.


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# The 50 Largest International Managers

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# International, global assets at $51 billion

**By Marlene Givant**

Global assets under management at the 50 largest international investment management firms nearly doubled in the year ended March 31, with several firms gaining millions in assets from reporting none in *Pensions & Investment Age*'s 1986 directory of international investment managers.

Overall, assets in international and global accounts among the 50 largest international managers swelled about 58.7% in the 12 months ended March 31, to $51.04 billion from $32.18 billion. From 1985 to 1986, assets grew 105%.

The growth was slower this year mainl because pension executives "clawed cash back in many, many, many cases because they found themselves above international target levels," said Chris Nowakowski, president and founder of InterSec Research Corp., Stamford, Conn.

While global account assets nearly doubled, rising to $8.76 billion from $4.49 billion in the year ended March 31, international account assets rose 32.5%, to $37.05 billion from last year's $27.95 billion. But these figures reflect global's growth. Last year international assets made up 86.9% of the total assets; this year, only 81%.

International accounts are defined as those not invested in the United States; global accounts invest in any allowable market.

While interest in global investing grew at a faster pace than international, global returns have been lower than international returns. The Morgan Stanley Capital International World index returned 41.1% in the 12 months ended March 31, while the Europe Australia Far East index returned 61.3%.

Of global investments, equity accounts totaled $6.28 billion; fixed income, $2.07 billion; and balanced, $405 million.

One-third of all foreign fixed-income assets were in global accounts, even though overall global investments made up only 19% of total foreign investments; only $4.73 billion of international accounts were invested in fixed income.

Small firms experienced the greatest percentage growth in assets while Templeton International, Fort Lauderdale, Fla., and J.P. Morgan Investment Management Inc., London, maintained their No. 1 ranking in global and international, respectively, even though Templeton had a modest gain and J.P. Morgan dropped in assets.

Templeton's global assets rose 35% to $2.7 billion vs. $2 billion a year ago, a modest increase compared with the World index's 41.1% return.

Ken Scislaw, Templeton's manager-corporate development, attributed the low growth to the firm's not being invested in Japan for four to five years; that high-performing market represents a majority weighting in global benchmarks.

J.P. Morgan fell to $3.11 billion from $3.67 billion because many of its long-time clients cut back on international to return to target asset allocations or to take profits — at least temporarily, a spokeswoman said. Morgan is believed to have been the first money manager to put significant amounts of tax-exempt money into the market.

Other firms among the top 10 on both charts last year didn't fare as well.

Fidelity International Investment Advisors, Boston, slipped to seventh from third place in both the global and international listings, reporting $300 million in global and $2 billion in international accounts.

Capital Guardian Trust Co., Los Angeles, fell to eighth place among global managers from second because its assets slipped to $288 million from $291 million. John Seiter, senior vice president, said the slip was due to several large clients scaling back to target levels in international accounts and global accounts. The firm also focused less on adding new customers and more on developing existing client relationships, Mr. Seiter said.

In international, its assets rose slightly, given market gains, to $2.59 billion, ranking it fourth vs. last year's second place finish at $1.99 billion.

A number of firms that had nothing or very little in international or global accounts last year reported phenomenal gains this year, with those gains pushing some into the top 10.

Warburg Investment Management International Ltd., London, soared to fifth place from 24th among global managers when its assets jumped to $371 million from $20 million. Two large and one jumbo public fund accounts were responsible for the increase, said John Townsend, director.

"There's a bubbling interest in global (equities), but the majority of the business is still toward the EAFE approach," he said.

On the fixed-income side, things are a little different.

"People are still struggling about which is a better approach — international or global," Mr. Townsend said.

"The case for global bonds is often better than the case for global equities because bonds are more dependent on currency and interest rate moves for performance . . .

"People go into international equities for diversification; people go into foreign bonds to make money."

BA Investment Management International Ltd., London, also jumped — from zero to $321 million in global accounts, ranking sixth. The firm got roughly 10 new appointments in the first quarter of 1987 alone.

"Two accounts (totaling $50 million) originally wanted international; we convinced them to let us manage on a global balanced basis for the time being," said Francois Dennery, director and vice president. "It's not an avalanche, but we're seeing a lot of interest in balanced and global. In the next two years, I think most appointments are going to be that way."

Despite recent staff defections and a resulting loss of several clients, global assets of ABD International Management Corp., New York, jumped to $132 million from zero last year, lifting it to 15th place from 33rd. It has three global accounts, said Alan Fressle, client services representative.

State Street Bank and Trust Co.'s global assets grew to $158 million in two accounts from zero, jumping into 12th place. Among international account managers, State Street moved into second place, with $3.09 billion, vs. last year's sixth place finish with $1.57 billion.

Accounting, in part, for the increase is that for the first time, public funds went international and chose indexing, because "it's a safe way to go," said Larry Martin, vice president and head of the international portfolio department.

Of State Street's $3.25 billion in combined international and

*Continued on page 50*

## Equity commitments in 10 major markets

| International accounts | | Global accounts | |
|---|---|---|---|
| Japan | 37.8% | United States | 42.8% |
| United Kingdom | 18.5 | Japan | 19.4 |
| Canada | 9.5 | United Kingdom | 9.6 |
| Spain | 8.9 | Australia | 7.8 |
| France | 8.7 | West Germany | 7.6 |
| Hong Kong | 7.8 | France | 6.3 |
| Singapore/Malaysia | 7.7 | The Netherlands | 5.8 |
| Australia | 7.5 | Switzerland | 4.9 |
| West Germany | 7.2 | Hong Kong | 4.8 |
| The Netherlands | 7 | Spain | 4.3 |

## Managers ranked by tax-exempt assets in international and global accounts

| Firm | $ mils. |
|---|---|
| State Street Bank and Trust | 3,249 |
| J.P. Morgan Investment Management | 3,231 |
| Capital Guardian Trust | 2,877 |
| Morgan Grenfell Investment Services | 2,779 |
| Templeton International | 2,700 |
| Fidelity International Investment Advisors | 2,300 |
| First Chicago Investment Advisors | 2,297 |
| Grantham, Mayo, Van Otterloo | 2,246 |
| Rowe Price-Fleming International | 1,600 |
| Baring International Investment | 1,547 |
| Schroder Capital Management International | 1,509 |
| Eaton Vance Management | 1,440 |
| Batterymarch Financial Management | 1,180 |
| BA Investment Management International | 1,109 |
| N.M. Rothschild International Asset Management | 1,101 |
| Citicorp Investment Management | 965 |
| ABD International Management | 838 |
| Warburg Investment Management International | 834 |
| Fiduciary Trust Co. International* | 813 |
| Nomura Capital Management | 800 |
| PCM International | 724 |
| G.T. Capital Management | 688 |
| Mellon-Pictet International Management | 678 |
| Scudder, Stevens & Clark | 615 |
| BEA Associates | 586 |
| Daiwa International Capital Management | 563 |
| Oechsle International Advisors | 492 |
| IDS International | 474 |
| Arnhold & S. Bleichroeder International | 430 |
| American Express Asset Management | 397 |
| Alliance Capital Management International | 378 |
| Hill Samuel Investment Advisers | 332 |
| Kemper-Murray Johnstone International | 325 |
| Capital Research & Management | 246 |
| Chase Investors Management | 321 |
| Brown Brothers Harriman | 298 |
| Putnam Cos. | 274 |
| Martin Currie | 270 |
| B.T. Investment Management | 251 |
| Bessemer Trust* | 240 |
| Julius Baer Investment Management | 239 |
| Capital Management International of Deutsche Bank | 231 |
| Kleinwort Benson International Investment | 187 |
| Lombard Odier Holdings (UK) | 180 |
| Centerre Trust | 178 |
| Fidelity Management Trust | 174 |
| Wellington Management/TDP&L | 166 |
| Baillie Gifford Overseas | 165 |
| Ivory & Sime International | 148 |
| SBC Portfolio Management International | 144 |
| Total | 45,809 |

*as of Jan. 1, 1987

### ABD International Management Corp.

*10 E. 53rd St., New York, N.Y. 10022; (212) 319-5020*

| | |
|---|---|
| Total assets managed | $1,064,000,000 |
| Tax-exempt assets managed: | |
| Total | $836,000,000 |
| International/global | $836,000,000 |

ABD International Management Corp., a subsidiary of ABD Securities, managed $706 million in international accounts as of March 31, all in equities.

The assets were committed most heavily to Japan, 45.6%; the United Kingdom, 20.9%; West Germany, 7.5%; Canada, 4.7%; and France, 4.2%.

It managed $130 million in global accounts as of March 31. The global assets, also all in equities, were committed most heavily to the United States, 42.4%; Japan, 26.4%; the United Kingdom, 11.8%; Germany, 4.4%; and Canada, 2.8%.

The investment approach encompasses selective equity investment in industries and companies with excellent growth prospects in 17 global markets. Managers use bonds and cash reserves to protect portfolio values during declining equity markets and employ active currency management to improve returns and reduce risk. The investment process views security and currency selections as two separate processes.

Of total assets under management, $228 million was for non-U.S. pension funds; there were eight U.S. tax-exempt clients.

Minimum account size for individual management is $15 million.

There was $101 million in mutual funds as of March 31.

Analysts or portfolio managers are stationed in Frankfurt.

The firm experienced a $467 million net loss in U.S. institutional tax-exempt business in the year ended March 31 for international and global equity accounts.

It has a non-U.S. hedging capability, and has been registered with the SEC since 1980.

Wilhelm Heischmann is chief investment officer. Armin Grunow, president, is client contact.

### Alliance Capital Management International

*43 Upper Grosvenor St., London, England W1X9PG; 011-44-1-493-9606*

| | |
|---|---|
| Total assets managed | $1,346,000,000 |
| Tax-exempt assets managed: | |
| Total | $378,000,000 |
| International/global | $378,000,000 |

Alliance Capital Management International Inc., a subsidiary of Alliance Capital Management Corp., invested $355 million in international accounts as of March 31. The international assets, all in equities, were committed most heavily to the Netherlands, 20.7%; Japan, 20.2%; West Germany, 17.2%; the United Kingdom, 8.2%; and Switzerland, 7.4%.

There was $23 million in global accounts, with $13 million in equities and $10 million in fixed income. Global equity assets were committed most heavily to the United States, 46.6%; West Germany, 17.5%; the Netherlands, 9.8%; the United Kingdom, 8.8%; and Japan, 6.6%.

The firm has an active growth-oriented investment philosophy. Research is applied to the early recognition of fundamental change, leading to the identification of investment opportunity through undervalued markets, currencies, industries and economic sectors.

Of the total assets under management March 31, $968 million was for non-U.S. pension funds; there were 25 U.S. tax-exempt clients.

Minimum account size for individual management is $10 million.

There was $210 million in mutual funds.

Analysts or portfolio managers are stationed in London, New York and Tokyo.

The firm had a $75 million net gain in U.S. tax-exempt institutional business for international and global accounts in the year ended March 31.

The firm has a non-U.S. hedging capability, and has been registered with the SEC since 1971.

Dave Williams, chief executive officer, is chief investment officer. The client contacts are Clinton J. Kendrick in New York at (212) 969-1030, and Philip Douglas in London.

### American Express Asset Management

*1 Broadgate, London, England EC2M 7HA; 011-44-1-601-0021*

| | |
|---|---|
| Total assets managed | $2,354,000,000 |
| Tax-exempt assets managed: | |
| Total | $397,000,000 |
| International/global | $397,000,000 |

American Express Asset Management, whose parent company is Shearson Lehman Brothers, a unit of American Express Co., invested $315.2 million in international accounts for U.S. tax-exempt clients as of March 31. The assets, all in equities, were committed most heavily to the United Kingdom, 21%; Japan, 17%; Spain/Portugal, 10%; Canada, 10%; and Singapore/Malaysia, 9%.

There was $81.6 million in global accounts, $70.6 million in equity accounts and $11 million in fixed-income accounts. Global equity assets were committed most heavily to the United States, 21%; United Kingdom, 17%; Japan, 11%; Singapore/Malaysia, 10%; and Australia, 8%.

American Express Asset Management is a specialist management firm of non-core portfolios. It takes a thematic approach, identifying global investment themes and then using valuation screens to select attractively valued companies benefiting from those themes.

Of total assets under management, $50 million was for non-U.S. pension funds; there were nine U.S. institutional tax-exempt clients.

Minimum account size for individual managers is $15 million.

There was $133 million in index funds.

Analysts or portfolio managers are stationed in London and Brussels.

The firm reported a $203 million gain in U.S. tax-exempt institutional business in international and global accounts for the year ended March 31.

The firm has non-U.S. hedging capability, and has been registered with the SEC since 1984.

Karl Van Horn, chairman, is chief investment officer. Susan Leader, director of marketing, is client contact at (212) 415-0802.

### BA Investment Management International Ltd.

*P.O. Box 262, 1 Watling St., London, England EC4P 4BX; 011-44-1-634-4664*

| | |
|---|---|
| Total assets managed | $1,808,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,110,000,000 |
| International/global | $1,110,000,000 |

BA Investment Management International Ltd., whose parent is BA Investment Management Corp., invested $283.8 million in international equity and $504.7 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31. The equity assets were committed most heavily to the United Kingdom, 28.3%; Spain, 19.1%; France, 15.1%; the Netherlands, 9.6%; and West Germany, 8.7%.

As of the same date, there was $8.2 million in global equity and $313 million in global fixed-income accounts, with the equity assets committed most heavily to the United States, 24.2%; United Kingdom, 23.9%; Spain, 16.1%; France, 13.3%; and West Germany, 8.2%.

The firm follows a three-step process. Objectives and risk/return parameters are mutually agreed upon. It practices active, discretionary management, with a top-down, disciplined team approach. Consensus expectations, reflected in market valuations, are assessed and compared to in-house analysis, with prospective risk/return profiles developed from alternative scenarios. Its global strategy uses common assumptions for fixed and eq-


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uity that are collectively agreed upon and implemented. Sector and market currency decisions are assessed separately.

Of the total assets under management, $698.3 million was for non-U.S. pension funds; there were 14 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $5 million.

The firm managed $66 million in commingled accounts for U.S. tax-exempt clients.

Analysts or portfolio managers are stationed in London.

The firm reported a $318.7 million gain in U.S. institutional tax-exempt business for global and international accounts for the year ended March 31.

The firm has non-U.S. hedging capability, and has been registered with the SEC since 1985.

Keith Brown is the chief investment officer. The client contacts are Joy Harper in London and Francois Dennery in New York at (212) 503-7628.

Master trust directory: Sept. 7.

## Julius Baer Investment Management Inc.

*330 Madison Ave., New York, N.Y., 10017; (212) 949-9055*

Total assets managed ..... $335,000,000
Tax-exempt assets managed:
Total ..... $239,000,000
International/global ..... $239,000,000

Julius Baer Investment Management Inc., whose parent company is Bank Julius Baer & Co. Ltd., invested $41.5 million in international equity accounts and $164.1 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31. The equity assets were committed most heavily to Japan, 50%; France, 15%; Germany, 10%; the United Kingdom, 10%; Switzerland, 5%; and Holland, 5%.

As of the same date, there was $33.3 million in global fixed-income accounts.

The firm's investment approach uses active currency allocation and emphasizes investment in strong, stable countries and high-quality securities. The average maturity is three to seven years.

There were seven U.S. institutional tax-exempt clients; minimum account size for individual management is $5 million.

Of the U.S. tax-exempt assets invested abroad, $21 million was in commingled funds.

The firm has analysts or portfolio managers stationed in London and Zurich.

The firm reported a $95.9 million net gain in U.S. institutional tax-exempt business in global and international accounts for the year ended March 31.

The firm has non-U.S. hedging capability, and has been registered with the SEC since 1983.

Peter Widmer is the chief investment officer. Jay A. Dirnberger, managing director, is client contact.

## Baillie Gifford Overseas

*2 Glenfinlas St., Edinburgh, Scotland EH3 6YY; 011-44-31-225-2581*

Total assets managed ..... $3,028,000,000
Tax-exempt assets managed:
Total ..... $165,000,000
International/global ..... $165,000,000

Baillie Gifford Overseas, a subsidiary of Baillie Gifford & Co., managed $165 million in international accounts for two U.S. institutional tax-exempt clients as of March 31. The assets, all in equities, were committed most heavily to the United Kingdom, 25%; other European countries, 39%; Japan, 25%; and other Asian countries, 11%.

The firm's investment approach seeks growth through fundamentally based asset allocation (top down) and stock selection (bottom up).

Minimum account size for individual management is $10 million.

Analysts or portfolio managers are stationed in Edinburgh.

The firm reported a $70 million net gain in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has a non-U.S currency hedging capability, and has been registered with the SEC since 1983.

Gavin J.N. Gemmell, chairman, is chief investment officer. Peter Murray is client contact.

## Baring International Investment

*9 Bishopsgate, London, England EC2N 3AQ; 011-44-1-623-5264*

Total assets managed ..... $1,600,000,000
Tax-exempt assets managed:
Total ..... $1,547,000,000
International/global ..... $1,547,000,000

Baring International Investment, whose parent company is Baring International Investment Management, managed $1.25 billion in international equity and $301 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31. The equity assets were committed most heavily to the United Kingdom, 25.8%; Japan, 24%; West Germany, 10.6%, Switzerland, 7.3%; and the Netherlands, 6.2%.

The firm is an active manager, selecting and weighting asset classes and markets from a top-down perspective. Regional specialists pick stocks based on company fundamentals, and managers will hedge to protect asset value.

Of total assets under management, $50 million was for non-U.S. pension funds; there were 19 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $20 million.

Of the U.S. tax-exempt assets invested abroad, $50 million was in commingled accounts.

Analysts or portfolio managers are stationed in London, Tokyo, Hong Kong and Seoul.

The firm experienced a $151 million gain in U.S. institutional tax-exempt business in international accounts for the year ended March 31.

The firm has a non-U.S. hedging capability, and has been registered with the SEC since 1980.

Peter S. Hartley, managing director, is chief investment officer. John F. McNamara is client contact.

## Batterymarch Financial Management

*600 Atlantic Ave., Boston, Mass., 02210; (617) 973-9300*

Total assets managed ..... $10,369,000,000
Tax-exempt assets managed:
Total ..... $9,943,000,000
International/global ..... $1,180,000,000

Batterymarch Financial Management invested $1.15 billion in international equity accounts for U.S. tax-exempt clients as of March 31. The assets were committed most heavily in Japan, 22%; the United Kingdom, 12%; Australia, 14%; Canada, 15%; and Hong Kong, 8%.

As of the same date, there was $31 million in global equity accounts. The assets were committed most heavily in the United States 78%; Japan, 6%; United Kingdom, 3%; Australia, 3%; and Canada, 2%.

The overall investment philosophy is to manage portfolios actively on the basis of conservation, value-oriented and contrary opinion strategies in an attempt to exploit market inefficiencies. The management process is highly automated. The active management equity philosophy is to search for values in the form of capital gains or divided yields that exist in the sectors of the market perceived to be undervalued.

Of total assets under management, $40 million was for non-U.S. pension funds; there were 107 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt assets invested abroad, $721 million was in mutual funds.

Analysts or portfolio managers are stationed in Boston.

The firm has been registered with the SEC since 1969.

Dean LaBaron, trustee, is chief investment officer. James R. Ullman is client contact.

The treasury management directory will appear Aug. 10.

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JB B

JULIUS BAER INVESTMENT MANAGEMENT INC.

## Managers ranked by tax-exempt assets in international accounts

| Firm | $ mils. |
|---|---|
| J.P. Morgan Investment Management | 3,106 |
| State Street Bank and Trust | 3,091 |
| Morgan Grenfell Investment Services | 2,730 |
| Capital Guardian Trust | 2,589 |
| Grantham, Mayo, Van Otterloo | 2,246 |
| First Chicago Investment Advisors | 2,223 |
| Fidelity International Investment Advisors | 2,000 |
| Baring International Investment | 1,547 |
| Rowe Price-Fleming International | 1,400 |
| Schroder Capital Management International | 1,370 |
| Batterymarch Financial Management | 1,149 |
| N.M. Rothschild International Asset Management | 1,009 |
| Citicorp Investment Management | 922 |
| Nomura Capital Management | 800 |
| BA Investment Management International | 788 |
| ABD International Management | 706 |
| Mellon-Pictet International Management | 678 |
| G.T. Capital Management | 665 |
| Scudder, Stevens & Clark | 608 |
| Daiwa International Capital Management | 563 |
| PCM International | 548 |
| Oechsle International Advisors | 492 |
| Warburg Investment Management International | 463 |
| Arnhold & S. Bleichroeder International | 430 |
| IDS International | 403 |
| Alliance Capital Management International | 355 |
| Kemper-Murray Johnstone International | 325 |
| Chase Investors Management | 321 |
| American Express Asset Management | 315 |
| Brown Brothers Harriman | 298 |
| Hill Samuel Investment Advisers | 283 |
| Putnam Cos. | 274 |
| B.T. Investment Management | 241 |
| Bessemer Trust* | 240 |
| Capital Management International of Deutsche Bank | 228 |
| Julius Baer Investment Management | 206 |
| Kleinwort Benson International Investment | 187 |
| Centerre Trust | 178 |
| Fidelity Management Trust | 174 |
| Wellington Management/TDP&L | 166 |
| Baillie Gifford Overseas | 165 |
| Martin Currie | 145 |
| Ivory & Sime International | 139 |
| SBC Portfolio Management International | 131 |
| Fiduciary Trust Co. International* | 113 |
| Lombard Odier Holdings (UK) | 37 |
| BEA Associates | 0 |
| Capital Research & Management | 0 |
| Eaton Vance Management | 0 |
| Templeton International | 0 |
| Total | 37,047 |

*as of Jan. 1, 1987

### BEA Associates

*153 E. 53rd St., New York, N.Y. 10022; (212) 832-2626*

| | |
|---|---|
| Total assets managed | $6,496,000,000 |
| Tax-exempt assets managed: | |
| Total | $6,106,000,000 |
| International/global | $586,000,000 |

BEA Associates managed $586 million in global equity accounts for U.S. tax-exempt clients as of March 31. The assets were committed most heavily to the United States, 70%; Japan, 6%; Spain, 5%; the United Kingdom, 5%; and Mexico, 4%.

Managers buy stocks that are undervalued based on the firm's disagreement with the market consensus.

Minimum account size for individual management is $5 million.

Analysts or portfolio managers are stationed in New York.

The firm experienced a net loss of $2.7 million in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has been registered with the SEC since 1940.

Albert Zesiger, president, is chief investment officer and client contact.

### Bessemer Trust Co.

*630 Fifth Ave., New York, N.Y., 10111; (212) 708-9100*

| | |
|---|---|
| Total assets managed | $5,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $661,000,000 |
| International/global | $240,000,000 |

Bessemer Trust Co., a subsidiary of the Bessemer Group, managed $240 million in U.S. institutional tax-exempt assets in international equity accounts as of Dec. 31. The assets were committed most heavily to Japan, 32.3%; the United Kingdom, 16.6%; Spain, 8.2%; Hong Kong, 7.4%; and France, 6.2%.

The investment approach has a top-down orientation with the focus on macroeconomic analysis, control of currency exposure and analysis of emerging economies, technologies and companies. Active management of sectors and geographic commitments are the principal focus.

Of the total assets managed, $95 million was for non-U.S. pension funds; there were 68 U.S. tax-exempt clients.

Minimum account size for individual management is $5 million.

Of the U.S. tax-exempt assets invested abroad, $33 million was in mutual funds.

Analysts or portfolio managers are stationed in London.

The firm has non-U.S currency hedging capability.

John R. Whitmore is chief investment officer. Robert C. Elliott is client contact.

### Arnhold and S. Bleichroeder International

*45 Broadway, New York, N.Y. 10006; (212) 943-9200*

| | |
|---|---|
| Total assets managed | $510,000,000 |
| Tax-exempt assets managed: | |
| Total | $430,000,000 |
| International/global | $430,000,000 |

Arnhold and S. Bleichroeder International, whose parent is Arnhold and S. Bleichroeder Inc., managed $430 million in international equity accounts for 10 U.S. tax-exempt clients as of March 31. The assets were committed most heavily to the United Kingdom, 24%; Hong Kong, 17%; Australia, 13%; West Germany, 9%; and Switzerland, 7%.

The firm's investment approach focuses on the selection of securities, not countries. Managers evaluate the fundamental criteria of a company, and compare absolute and relative p/e and price cash flow. It targets a 50% rate of return for each selected stock over a 12-month to 24-month time horizon.

Of the U.S. tax-exempt assets invested abroad, $80 million was in mutual funds and $80 million in commingled accounts.

Analysts or portfolio managers are stationed in New York.

The firm reported a $200 million net gain in U.S. institutional tax-exempt business for international accounts for the year ended March 31.

The firm has a non-U.S. hedging capability, and has been registered with the SEC since 1950.

Howard B. Moss, senior portfolio manager, is the chief investment officer. Fred Reynolds is the client contact.

### Brown Brothers Harriman

*59 Wall St., New York, N.Y., 10005; (212) 483-1818*

| | |
|---|---|
| Total assets managed | $11,700,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,900,000,000 |
| International/global | $298,000,000 |

Brown Brothers Harriman & Co. managed $293 million in international equity and $5 million in international fixed-income accounts for U.S. tax-exempt clients as of March 31. The equity assets were committed most heavily to Japan, 35%; the United Kingdom, 14%; West Germany, 11%; Hong Kong/Singapore, 7%; and Switzerland, 7%.

The firm's investment approach is to invest in countries whose growth rates will exceed that of the United States and whose policies are pro-investment. It seeks marketability, hedges currency risk when appropriate ar manages reserves aggressively.

Of the total assets under management, $51 million is for non-U.S. pension funds; there were 323 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $5 million.

Analysts or portfolio managers are stationed in New York, London, Paris, Zurich and Tokyo.

The firm reported a $37 million net gain in U.S. institutional tax-exempt business in the year ended March 31 for international accounts.

The firm has non-U.S. hedging capability.

Elbridge T. Gerry Jr. is chief investment officer. Frank J. Keeler, marketing director, is client contact.

### B.T. Investment Management Ltd.

*280 Park Ave., Suite 600, New York, N.Y. 10015; (212) 850-2082*

| | |
|---|---|
| Total assets managed | $4,036,000,000 |
| Tax-exempt assets managed: | |
| Total | $251,000,000 |
| International/global | $251,000,000 |

B.T. Investment Management Ltd., a subsidiary of Bankers Trust Co., managed $241 million in international equity accounts for U.S. tax-exempt institutional clients as of March 31. The assets were committed most heavily to Japan, 38.3%; the United Kingdom, 24%; France, 9.2%; Australia, 5.6%; and West Germany, 5.2%.

It also managed $10 million in global fixed-income accounts.

The firm offers active and passive management. Active equity and fixed-income management is implemented through a top-down approach to determine country, currency and asset allocations. Managers forecast and assess macroeconomic data from external and internal resources.

The passive management technique is an optimization approach using stratified sampling and low-cost trading practices.

Minimum account size for individual management is $10 million.

There was $116 million in commingled accounts for U.S. institutional tax-exempt clients and $125 million in index funds.

Analysts or portfolio managers are stationed in London, Tokyo, Zurich, New York and Sydney.

The firm experienced a net gain of $60 million in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability and has been registered with the SEC since 1982.

H. Kent Atkins is chief investment officer. Lynne S. Minard is client contact.

### Capital Management International of Deutsche Bank

*9 W. 57th St., New York, N.Y., 10019; (212) 832-1630*

| | |
|---|---|
| Total assets managed | $2,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $228,000,000 |
| International/global | $228,000,000 |

Capital Management International of Deutsche Bank, whose parent company is Deutsche Bank A.G., managed $225 million in international equity accounts for U.S. tax-exempt clients as of March 31. The assets were committed most heavily to France, 13%; the United Kingdom, 18%; West Germany, 11%; Japan, 12%; and Australia, 6%.

As of the same date, it managed $3 million in global equity accounts, with the assets committed most heavily to the United States, 25%; the United Kingdom, 10%; France, 11%; West Germany, 8%; and Switzerland, 7%.

The investment approach is top-down and value-oriented, seeking only blue-chip stocks with sustained earnings growth. The process is investment committee driven, using Deutsche


Toronto Investment Management

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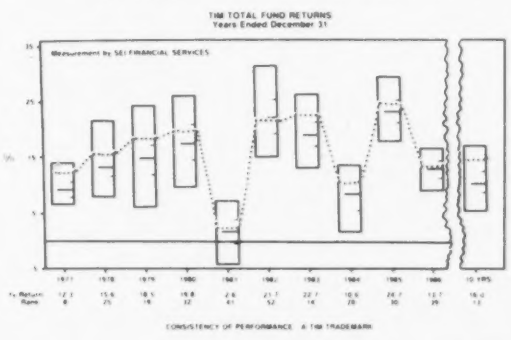


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Brien Gillespie

Divisions of AMI Asset Management International Inc. with $6.0 billion in assets under management

Bank and external input globally.

Of total assets under management, $27 million is for non-U.S. pension funds; there were two U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million for direct accounts and $2 million for commingled accounts.

Analysts and portfolio managers are stationed in Frankfurt, London, New York, Tokyo and Sydney.

The firm has non-U.S. hedging capabilities, and has been registered with the SEC since 1983.

Rudolf Heinz is chief investment officer. Michael Tintelnot and Philip Moffat are client contacts.

### Capital Guardian Trust Co.

*333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9200*

| | |
|---|---|
| Total assets managed | $16,300,000,000 |
| Tax-exempt assets managed: | |
| Total | $16,207,000,000 |
| International/global | $2,877,000,000 |

Capital Guardian Trust Co., a subsidiary of Capital Group Inc., managed $2.59 billion in international accounts for U.S. institutional tax-exempt clients as of March 31; $2.52 billion in equity accounts and $66 million in fixed-income accounts. The equity assets were committed most heavily to Japan, 26%; West Germany, 14%; the United Kingdom, 9%; Australia, 8%; and Hong Kong, 5%.

As of the same date, it managed $288 million in global equity accounts, with the assets committed most heavily to the United States, 41%; Japan, 15%; West Germany, 11%; the United Kingdom, 10%; and Switzerland, 4%.

The investment philosophy uses a fundamental value-oriented approach based on thorough, detailed research supported by direct management contacts. An additional focus is provided by portfolio managers and analysts with country or area economic, political and social overview responsibilities.

Of the total assets under management, $93 million was for non-U.S. pension funds; there are 107 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million.

There was $612 million in U.S. tax-exempt assets invested abroad in commingled accounts.

Analysts or portfolio managers are stationed in Los Angeles, San Francisco, New York, Washington, Geneva, London, Tokyo and Hong Kong.

The firm had a net gain of $1 million in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has non-U.S. currency hedging capability.

Robert Ronus, senior vice president, is chief investment officer. John H. Seiter, senior vice president, is client contact.

### Capital Research & Management Co.

*333 S. Hope St., Los Angeles, Calif. 90071; (213) 486-9200*

| | |
|---|---|
| Total assets managed | $17,000,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,700,000,000 |
| International/global | $322,000,000 |

Capital Research & Management Co., a subsidiary of Capital Group Inc., managed $76 million in international accounts for U.S. institutional tax-exempt clients as of March 31. The equity assets were committed most heavily to Germany, 16%; Japan, 16.3%; the United Kingdom, 13.9%; Hong Kong, 7.4%; and Australia, 6.1%.

As of the same date, there was $246 million in global equity accounts, with the assets committed most heavily to the United States, 36.4%; West Germany, 14.5%; Japan, 9.6%; Australia, 7.6%; and Hong Kong, 5%.

Capital Research uses a fundamental value-oriented approach based on thorough, detailed research supported by direct management contacts. An additional focus is provided by portfolio managers and analysts with country or area economic, political and social overview responsibilities.

All U.S. institutional tax-exempt assets invested abroad were in mutual funds.

Analysts or portfolio managers are stationed in Los Angeles, San Francisco, New York, Washington, Geneva, London, Hong Kong and Tokyo.

The firm has non-U.S. currency hedging capability, and has been registered with the SEC since 1970.

Ben Shattuck, senior vice president-institutional investment services division, American Funds Distributors Inc., is client contact.

### Centerre Trust Co. of St. Louis

*510 Locust St., St. Louis, Mo. 63101; (314) 436-9265*

| | |
|---|---|
| Total assets managed | $10,900,000,000 |
| Tax-exempt assets managed: | |
| Total | $4,789,000,000 |
| International/global | $178,000,000 |

Centerre Trust Co. of St. Louis, a subsidiary of Centerre Bancorporation, managed $178 million in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 41%; the United Kingdom, 18%; West Germany, 8%; France, 6%; and the Netherlands, 3%.

All the assets were in Centerre's commingled international equity fund. The fund, which is actively managed, invests primarily in the 12 largest markets outside the United States. Stocks are chosen using a value-oriented approach and emphasize country weightings. Currency evaluation and projections also are important factors in the process. Morgan Grenfell Investment Services, London, serves as investment adviser.

Centerre has 176 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $1 million.

Analysts or portfolio managers are stationed in St. Louis and London.

The firm realized a $37 million net gain in U.S institutional tax-exempt business for international accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability.

James McGuire, senior vice president, is chief investment officer. Richard W. Hibbs, vice president, is client contact.

### Chase Investors Management Corp.

*1211 Ave. of the Americas, 37th Floor, New York, N.Y.; (212) 730-3746*

| | |
|---|---|
| Total assets managed | $18,400,000,000 |
| Tax-exempt assets managed: | |
| Total | $16,500,000,000 |
| International/global | $321,000,000 |

Chase Investors Management Corp., whose parent is Chase Manhattan Bank, managed $300 million in international equity and $21 million in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31. The equity assets were committed most heavily to Japan, 41%; the United Kingdom, 20%; France, 8%; the Netherlands, 5%; and Switzerland, 4%.

The investment approach is top-down/bottom-up, emphasizing individual markets and stock selection using fundamental economic analysis.

The firm has 225 U.S. tax-exempt institutional clients; minimum account size for individual management is $10 million.

All of the U.S. tax-exempt assets invested abroad were in commingled accounts; $25 million was in index funds.

Analysts or portfolio managers are stationed in New York and London.

The firm experienced a $7.5 million net gain in U.S. institutional tax-exempt business for international fixed-income accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1972.

Stephen E. Canter is chief investment officer. Mary Ellen Weissinger is client contact.

### Citicorp Investment Management

*153 E. 53rd St., New York, N.Y., 10043; (212) 559-2872; and Hudson House 2-10 Tavistock St., London, England WC2E 7PE; 011-44-1-438-1153*

Total assets managed ..... $31,300,000,000
Tax-exempt assets managed:
Total ..... $16,780,000,000
International/global ..... $965,000,000

Citicorp Investment Management, whose parent company is Citicorp, managed $481.2 million in international equity and $441 million in international fixed-income accounts as of March 31. The equity assets were committed most heavily to Japan, 41%; the United Kingdom, 16%; France, 8%; Hong Kong, 6%; and West Germany, 2%.

As of the same date, there was $15 million in global equity and $28 million in global fixed-income accounts. Equity assets were committed most heavily to the United States, 30%; Japan, 28%; United Kingdom, 11%; France, 6%; and Hong Kong, 4%.

Citicorp Investment Management employs an approach of active management of potential sources of return — country allocation, securities selection, currency management — with emphasis on top-down analysis and special attention to maximizing diversification benefits.

There were 404 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt assets invested abroad, $241.6 million were in commingled accounts.

Analysts or portfolio managers are located in London, Tokyo, Hong Kong, New York, Houston, San Francisco, Chicago and Sydney.

The firm reported a $110 million net gain in U.S. tax-exempt institutional business for the year ended March 31 for international and global equity accounts.

The firm has non-U.S. hedging capacity, and has been registered with the SEC since 1972.

Robert G. Wade Jr. is chief investment officer. The client contacts are B. Hunt Whitbeck Jr., vice president, in New York, and Bob Troxler, vice president, in London.

---

Real estate advisers: Sept. 21.

## Martin Currie Ltd. & Subsidiaries

*29 Charlotte Square, Edinburgh, Scotland EH2 4HA; 011-44-31-225-3811*

Total assets managed ..... $3,350,000,000
Tax-exempt assets managed:
Total ..... $270,000,000
International/global ..... $270,000,000

Martin Currie Ltd. & Subsidiaries, whose parent company is Martin Currie Ltd., managed $145 million in international equity accounts and $125 million in global equity accounts for four U.S. institutional tax-exempt clients as of March 31.

The international equity assets were committed most heavily to Japan, 46%; the United Kingdom, 23%; Canada, 6%; West Germany, 8%; and the Netherlands, 3%.

The global equity assets were committed most heavily to the United States, 38%; Japan, 29%; the United Kingdom, 17%; West Germany, 6%; and Hong Kong, 3%.

The investment approach is in two stages. The first is market selection, using various screens, particularly a currency screen. The second is stock selection, using qualitative and quantitative screens. The two major markets, Japan and the United Kingdom, always are included in portfolios.

Of the total assets under management, $1.34 billion is for non-U.S. pension funds.

Minimum account size for individual management is $10 million.

Analysts or portfolio managers are stationed in Edinburgh.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1978.

Michael Kennedy, president of Martin Currie Inc., is chief investment officer and client contact.

## Daiwa International Capital Management Corp.

*200 Liberty St., 26th Floor, New York, N.Y. 10281; (212) 945-0099*

Total assets managed ..... $13,730,000,000
Tax-exempt assets managed:
Total ..... $563,000,000
International/global ..... $563,000,000

Daiwa International Capital Management Corp., a subsidiary of Daiwa International Capital Management Co. Ltd., managed $563 million in international equity accounts for eight U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 84%; Hong Kong, 3.9%; West Germany, 3.2%; Switzerland, 2.3%; and France, 1.8%.

The investment approach emphasizes high-growth sectors that benefit from changes in the industrial structure and from technological innovation. The focus is on those companies that will lead growth in the economy as well as those that will be able to sustain high earnings growth through management efficiency.

Of the total assets under management, $12.7 billion is for non-U.S. pension funds.

Minimum account size for individual management is $5 million.

Of the U.S. institutional tax-exempt asset invested abroad, $40 million was in commingled accounts.

Analysts or portfolio managers are stationed in Tokyo, London and New York.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1981.

Keisuke Oshima, senior managing director, is chief investment officer. Robert Russell is client contact at (212) 341-5405.

## Eaton Vance Management

*24 Federal St., Boston, Mass., 02110; (617) 482-8260*

Total assets managed ..... $6,500,000,000
Tax-exempt assets managed:
Total ..... $1,440,000,000
International/global ..... $1,440,000,000

Eaton Vance Management, a subsidiary of Eaton Vance Corp., managed $662 million in global equity and $778 million in global fixed-income accounts for 110 U.S. institutional tax-exempt clients as of March 31.

The equity assets were committed most heavily to the United States, 88%; Great Britain, 4%; the Netherlands, 2%; Canada, 2%; and Italy, 2%.

The firm favors equities of companies affording significant appreciation potential based on unrecognized change, reasonableness of value, accelerating earnings growth, availability of stock and timeliness of purchase.

Minimum account size for individual management is $1 million.

Analysts or portfolio managers are stationed in Boston and San Francisco.

The firm has been registered with the SEC since 1940.

James B. Hawkes is chief investment officer. John H. Wise Jr. is client contact.

## Fidelity International Investment Advisors Ltd.

*111 Devonshire St., Boston, Mass., 02109; (617) 292-7090*

Total assets managed ..... $3,100,000,000
Tax-exempt assets managed:
Total ..... $2,300,000,000
International/global ..... $2,300,000,000

Fidelity International Investment Advisors Ltd., a subsidiary of Fidelity International Ltd., managed $2 billion in international equity accounts and $300 million in global equity accounts for 19 U.S. institutional tax-exempt clients as of March 31.

The international assets were committed most heavily Japan, 45%; the United Kingdom, 20%; France, 7%; Spain, 7%; and Canada, 5%.

The global assets were committed most heavily to the United States, 43%; Japan, 28%; the United Kingdom, 10%; Spain, 4%; and France, 4%.

The investment approach begins with geographic and asset allocations, which are decided by the international investment policy group. Once assets are allocated to countries, stock selection is made by investment managers at the local level.

Of the total assets managed, $725


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million [illegible] for non-U.S. pension funds.

The minimum account size for individual managed is $20 million.

Of the U.S. tax-exempt assets invested abroad, $175 million was in commingled accounts.

Analysts or portfolio managers are stationed in Boston, London, Tokyo, Hong Kong, Taipei and Bermuda.

The firm experienced a net loss of $230 million in U.S. tax-exempt institutional business in the year ended March 31 for international and global accounts.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1977.

James Tonner is chief investment officer. William B. Fink is client contact.

### Fidelity Management Trust

*82 Devonshire, Boston, Mass., 02109; (617) 570-6982*

| | |
|---|---|
| Total assets managed | $6,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $174,000,000 |
| International/global | $174,000,000 |

Fidelity Management Trust Co., a subsidiary of FMR Corp., managed $174 million in international equity accounts for five U.S. institutional tax-exempt clients as of March 31.

The assets were committed most heavily to Japan, 63%; France, 11%; the United Kingdom, 8%; Spain, 3.6%; and the Netherlands, 2.8%.

The investment approach is bottom-up, with research-intensive, fundamental analysis used to identify candidates for investment.

All of the U.S. institutional tax-exempt assets invested abroad were in commingled accounts.

Analysts or portfolio managers are stationed in Boston, London and Tokyo.

The firm has a non-U.S. hedging capability.

George Noble, vice president, is chief investment officer. Robert L. Reynolds, senior vice president, is client contact.

### Fiduciary Trust Co. International

*2 World Trade Center, New York, N.Y. 10048; (212) 466-4100*

| | |
|---|---|
| Total assets managed | $8,385,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,817,000,000 |
| International/global | $813,000,000 |

Fiduciary Trust Co. International invested $113 million in international equity accounts for U.S. institutional tax-exempt clients as of Jan. 1.

The assets were committed most heavily to Japan, 31%; the United Kingdom, 10%; France, 9%; the Netherlands, 8%; and Hong Kong, 6%.

As of the same date, there was $700 million in global accounts; $302.3 million in fixed-income and $397.4 million in balanced accounts. The equity assets of the global accounts were committed most heavily to the United States, 38%; Japan, 20%; West Germany, 7%; the Netherlands, 5%; and the United Kingdom, 5%.

The investment approach emphasizes stock selection within a macroeconomic framework. The active management style produces concentrated portfolios both in stocks and markets. Country allocations vary from EAFE weightings according to the firm's market assessments.

Currency and market diversification are used to reduce risk. Long-term hedging may be used.

The firm has 174 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt assets invested abroad, $10 million was in commingled accounts and $104 million in mutual funds.

Analysts or portfolio managers are stationed in New York, London, Geneva and Los Angeles.

The firm has non-U.S. hedging capability.

Richard King, senior vice president, is chief investment officer. George J. Mullen and Belinda Gibbs are client contacts.

### First Chicago Investment Advisors

*3 First National Plaza, Chicago, Ill. 60670; (312) 732-6474*

| | |
|---|---|
| Total assets managed | $9,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $9,600,000,000 |
| International/global | $2,297,000,000 |

First Chicago Investment Advisors, a subsidiary of First Chicago Corp., managed $581 million in international equity accounts and $1.64 billion in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31.

The equity assets of those accounts were committed most heavily to Japan, 42.8%; the United Kingdom, 16.7%; West Germany, 7.2%; Belgium, 4.8%; and Australia, 4.7%.

As of the same date, the firm managed $74 million in global fixed-income accounts for U.S. tax-exempt clients.

First Chicago is an active manager of core international equity and fixed-income portfolios, using internally developed valuation models, risk systems and other quantitative techniques in a structured decision process. The equity approach is value-oriented and identifies mispriced markets and securities. Fixed income is treated as a separate asset class, with interest rate and currency forecasts integrated into strategic forecasts.

Of the total assets managed, $7 million was for non-U.S. pension funds. There were 73 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $547 million was in commingled accounts.

Analysts or portfolio managers are stationed in Chicago and London; by year end, the firm plans to have an analyst stationed in Tokyo.

The firm reported a net gain of $419 million in U.S. institutional tax-exempt business in international and global accounts for the year ended March 31.

The firm has a non-U.S. currency hedging capability.

Gary P. Brinson is president and chief investment officer. Richard C. Carr, managing director, is client contact.

### Grantham, Mayo, Van Otterloo

*125 High St., Boston, Mass., 02110; (617) 574-4817*

| | |
|---|---|
| Total assets managed | $2,246,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,246,000,000 |
| International/global | $2,246,000,000 |

Grantham, Mayo, Van Otterloo managed $2.25 billion in international equity accounts for 28 U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to the United Kingdom, 27%; Japan, 15%; West Germany, 11%; the Netherlands, 8%; and France, 6%.

The firm's International Quantitative Equities Pool has been designed to enable institutional investors to achieve very large, low-beta foreign equity exposure. It provides diversification and liquidity on a highly quantitative basis.

Of the U.S. tax-exempt institutional assets invested abroad, $2.13 billion was in commingled accounts and $4.5 million in mutual funds.

Analysts or portfolio managers are stationed in Boston.

The firm experienced a net loss of $35 million in U.S. tax-exempt institutional business in the year ended March 31.

The firm has a non-U.S. currency hedging capability and has been registered with the SEC since 1977.

Eyk Van Otterloo, principal, is chief investment officer and client contact.

### G.T. Capital Management

*601 Montgomery St., Suite 1400, San Francisco, Calif., 94111; (415) 392-6181*

| | |
|---|---|
| Total assets managed | $1,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $688,000,000 |
| International/global | $688,000,000 |

G.T. Capital Management Inc., whose parent is GT Management PLC, managed $665 million in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The equity assets were committed most heavily to Japan, 27%; the United Kingdom, 18%; West Germany, 10%; Canada, 9%; and France, 8%.

As of the same date, there was $23 million in global equity accounts, most heavily committed to the United States, 52%; the United Kingdom, 10%; Japan, 9%; France, 5%; and Switzerland, 4%.

The firm takes a global approach to identifying investment opportunities. Accordingly, managers put considerable effort into early identification of major international trends. They then look for the most appropriate countries and companies through which to exploit such trends and themes. The search is for growth companies with undiscounted earnings acceleration.

Of the total under management, $80 million is for non-U.S. pension funds. It has 11 U.S. tax-exempt institutional clients.

Minimum account size for separate management is $15 million.

Of the U.S. tax-exempt assets invested abroad, $8 million was in commingled accounts and $95 million in mutual funds.

Analysts or portfolio managers are stationed in Hong Kong, London, San Francisco, Tokyo and Sydney.

The firm reported a $375 million net loss in U.S. institutional tax-exempt business for international and global equity accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1974.

Robert J. Boyd, joint managing director, is chief investment officer. Mary Lou Bernhoft, vice president-marketing and client services, is client contact.

### Hill Samuel Investment Advisers

*1100 Dain Tower, Minneapolis, Minn. 55402; (612) 371-2939*

| | |
|---|---|
| Total assets managed | $347,000,000 |
| Tax-exempt assets managed: | |
| Total | $333,000,000 |
| International/global | $333,000,000 |

Hill Samuel Investment Advisers, a subsidiary of Hill Samuel Group PLC, managed $260 million in international equity and $23 million in international fixed-income accounts for U.S. tax-exempt institutional clients as of March 31.

The equity assets were committed most heavily to Japan, 26.5%; the United Kingdom, 27.5%; West Germany, 11.8%; Hong Kong, 9%; and the Netherlands, 11.3%.

As of the same date, there was $49 million in global fixed-income accounts.

The firm takes a quantitative approach to value investing, using a consistent appraisal in evaluating all world markets, securities and currencies.

Of the total under management, $14 million was for non-U.S. pension funds; there were seven U.S. tax-exempt institutional clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $128 million was in commingled accounts.

Analysts or portfolio managers are stationed in London.

The firm has non-U.S. currency hedging capability, and has been registered with the SEC since 1983.

David Tilles is chief investment officer. I.P. "Kip" Knelman, director and executive vice president, is client contact.

### IDS International Inc.

*IDS Tower 10, Minneapolis, Minn. 55440; (612) 372-1335*

| | |
|---|---|
| Total assets managed | $1,030,000,000 |
| Tax-exempt assets managed: | |
| Total | $474,000,000 |
| International/global | $474,000,000 |

IDS International Inc., a subsidiary of IDS, a unit of American Express Co., managed $403 million in international equity and $71 million in global equity accounts as of March 31 for 15 U.S. tax-exempt institutional clients.

The international account assets were committed most heavily to Japan, 46%; Australia, 11%; Hong Kong, 9%; the United Kingdom, 7%; and the Netherlands, 5%.

The global account assets were committed most heavily to the United States, 32%; Japan, 23%; Australia, 9%; Hong Kong, 6%; and France, 5%.

The firm takes a top-down, bottom-up approach. Based on a macroeconomic, geopolitical overview, assets are allocated among stocks, bonds and cash; currency views are taken; and countries are distributed into economic categories and weighted. Stocks are selected based on fundamental analysis.

Of the total assets under management, $237 million was for non-U.S. pension funds.

Minimum account size for individual management is $15 million.

Of the U.S. tax-exempt institutional assets invested abroad, $67 million was in commingled accounts.

Analysts or portfolio managers are stationed in Minneapolis and London.

The firm experienced a $15 million net gain in U.S. institutional tax-exempt business for international and global equity accounts.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1981.

Peter A. Lamaison is chief investment officer. Diane K. Vener, vice president, is client contact.

### Ivory & Sime International

*39 Main St., Chatham, N.J. 07928; (201) 635-6700*

| | |
|---|---|
| Total assets managed | $217,000,000 |
| Tax-exempt assets managed: | |
| Total | $148,000,000 |
| International/global | $148,000,000 |

Ivory & Sime International managed $139 million in international equity and $9 million in global equity accounts for U.S. institutional tax-exempt clients as of March 31.

The international assets were committed most heavily to Japan, 42%; the United Kingdom, 20%; Europe, 18%; and the Pacific Basin, 12%.

The global assets were committed most heavily to the United States, 40%; Japan, 28%; Europe, 17%; the United Kingdom, 8%; and the Pacific Basin, 7%.

The firm takes a long-term, fundamental, research-based approach with primary emphasis on stock selection and identifying superior companies in a


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global context.

Of the total assets under management, $50 million was for non-U.S. pension funds.

Minimum account size for individual management is $5 million.

Analysts or portfolio managers are stationed in Edinburgh.

The firm reported a net gain of $60 million in U.S. institutional tax-exempt business in international and global equity accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1978.

Pascal deSalabery, director, is chief investment officer. Keith Wood, president, is client contact.

### Kemper-Murray Johnstone International

*120 S. LaSalle St., Chicago, Ill. 60603; (312) 845-1880*

Total assets managed ..... $546,000,000
Tax-exempt assets managed:
Total ..... $325,000,000
International/global ..... $325,000,000

Kemper-Murray Johnstone International, a subsidiary of Kemper Financial Services and Murray Johnstone, managed $114 million in international equity and $211 million in international fixed-income accounts for 27 U.S. institutional tax-exempt clients as of March 31.

The equity assets were committed most heavily to Japan, 29.9%; Hong Kong, 11.9%; the United Kingdom, 11.3%; West Germany, 11.1%; and France, 8.8%.

The investment objective is to provide actively managed, diversified international portfolios that provide real returns (vs. CPI) and superior returns (vs. EAFE) over a market cycle. Managers strive to optimize portfolio weightings in Japan, the United Kingdom and core Europe, emphasizing peripheral markets as opportunities arise.

Minimum account size for individual management is $5 million.

Of the U.S. tax-exempt institutional assets invested overseas, $221 million was in mutual funds.

Analysts or portfolio managers are stationed in Glasgow.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1980.

Michael Parlett is chief investment officer. Sue Mullin, at (312) 845-1934, is client contact.

### Kleinwort Benson International Investment

*200 Park Ave., New York, N.Y. 10166; (212) 972-9315*

Total assets managed ..... $314,000,000
Tax-exempt assets managed:
Total ..... $187,000,000
International/global ..... $187,000,000

Kleinwort Benson International Investment Ltd., a subsidiary of Kleinwort Benson Lonsdale PLC, managed $187 million in international equity accounts for seven U.S. institutional tax-exempt clients as of March 31.

The assets were committed most heavily to Japan, 32%; the United Kingdom, 20%; France, 11%; Switzerland, 5.5%; and Australia, 4.5%.

The investment approach has two aspects. In equity investments, stock selection is emphasized. In fixed income, investments are selected on a strictly top-down basis with major importance attached to the macroeconomic analysis and their forecasts on interest rate and currency movements.

There is a minimum fee of $40,000 a year.

Of the U.S. tax-exempt institutional assets invested abroad, $135 million was in mutual funds.

Analysts or portfolio managers are stationed in London, New York, Brussels, Geneva, the Channel Islands, Hong Kong, Tokyo and Melbourne.

The firm reported a net loss of $58 million in U.S. institutional tax-exempt business for international accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1980.

John F.H. Trott is chief investment officer. Julie M. Cochran and Kim P. Hedbawny are client contacts.

### Lombard Odier Holdings (UK) Ltd.

*Norfolk House, 13 Southampton Place, London, England WC1A 2AJ; 011-44-1-831-2350*

Total assets managed ..... $2,537,000,000
Tax-exempt assets managed:
Total ..... $181,000,000
International/global ..... $181,000,000

Lombard Odier Holdings (UK) Ltd., a subsidiary of Lombard Odier & Cie, Geneva, managed $37 million in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 50.8%; the United Kingdom, 12%; France, 9.8%; Spain, 5.6%; and West Germany, 5.5%.

As of the same date, the firm managed $72 million in global equity and $71 million in global fixed-income accounts. The global equity assets were committed most heavily to the United States, 47.6%; Japan, 24.9%; the United Kingdom, 5.3%; Spain, 4.3%; and France, 3.6%.

The investment approach is macroeconomic to the regional allocation of assets. Portfolio managers/analysts implement the equity allocation within their geographic regions. The fixed-income team has an interest rate anticipation approach. Currency hedging, if applicable, is used for return enhancement.

Of the total assets under management, $2.36 billion was for non-U.S. pension funds; there were three U.S. tax-exempt institutional clients.

Minimum account size for individual management is $10 million.

Analysts or portfolio managers are stationed in London, Geneva, Amsterdam and Montreal.

The firm reported a $122 million net loss in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1978.

Robert van Maasdijk is chief investment officer. Karin Bonding is client contact.

### Mellon-Pictet International Management Ltd.

*Cutlers Garden, 5 Devonshire Square, London, England EC2 M4LD; 011-44-1-283-7471*

Total assets managed ..... $1,100,000,000
Tax-exempt assets managed:
Total ..... $678,000,000
International/global ..... $678,000,000

Mellon-Pictet International Management Ltd., a subsidiary of Mellon Bank and Pictet (Geneva), managed $678 million in international equity accounts for 21 U.S. institutional tax-exempt clients as of March 31.

The assets were committed most heavily to the United Kingdom, 23%; Japan, 17%; France, 10%; Australia, 9%; and Hong Kong, 9%.

The investment approach is fundamentally driven active management of concentrated portfolios tailored to client risk tolerances.

Of the total assets managed, $2.5 million is for non-U.S. pension funds.

The minimum account size for individual management is $5 million.

Of the U.S. institutional tax-exempt assets invested abroad, $50 million was in commingled accounts.

Analysts or portfolio managers are stationed in London, Geneva and Tokyo.

The firm reported a $60 million net gain in U.S. institutional tax-exempt business for international equity accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1980.

The chief investment officer is Dan Blanks, president. The client contacts are Rod Hearn in London, and Steven Albrecht at (617) 225-3347.

### Morgan Grenfell Investment Services Ltd.

*46 New Broad St., London, England EC2M 1NB; 011-44-1-256-7500*

Total assets managed ..... $3,400,000,000
Tax-exempt assets managed:
Total ..... $2,779,000,000
International/global ..... $2,779,000,000

Morgan Grenfell Investment Services Ltd., a subsidiary of Morgan Grenfell Asset Management Ltd., managed $2.73 billion in international equity accounts as of March 31 for U.S. institutional tax-exempt clients. Those assets were committed most heavily to Japan, 45%; the United Kingdom, 25%; Australia, 4%; West Germany, 4%; Hong Kong, 3%; and the Netherlands, 3%.

As of the same date, it managed $49 million in global fixed-income accounts for U.S. tax-exempt clients.

The firm is an active global manager. Equal emphasis is placed on the market decision and stock selection. No investments are made without considering the currency impact.

Of the total assets under management, $584 million was for non-U.S. pension funds; there were 42 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $15 million.

Of the U.S. tax-exempt assets invested abroad, $127 million was in commingled accounts.

Analysts or portfolio managers are stationed in London, New York, Tokyo, Singapore, Geneva and Sydney.

The firm reported a net gain of $552 million in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability and has been registered with the SEC since 1977.

Michael Bullock, director, is chief investment officer. Graham Bamping,

The investment consultants directory will run Nov. 16.

### Managers ranked by tax-exempt assets in global accounts

| Firm | $ mils. |
|---|---|
| Templeton International | 2,700 |
| Eaton Vance Management | 1,440 |
| Fiduciary Trust Co. International* | 700 |
| BEA Associates | 586 |
| Warburg Investment Management International | 371 |
| BA Investment Management International | 321 |
| Fidelity International Investment Advisors | 300 |
| Capital Guardian Trust | 288 |
| Capital Research & Management | 246 |
| Rowe Price-Fleming International | 200 |
| PCM International | 176 |
| State Street Bank and Trust | 158 |
| Lombard Odier Holdings (UK) | 143 |
| Schroder Capital Management International | 139 |
| ABD International Management | 132 |
| J.P. Morgan Investment Management | 125 |
| Martin Currie | 125 |
| N.M. Rothschild International Asset Management | 92 |
| American Express Asset Management | 82 |
| First Chicago Investment Advisors | 74 |
| IDS International | 71 |
| Hill Samuel Investment Advisers | 49 |
| Morgan Grenfell Investment Services | 49 |
| Citicorp Investment Management | 43 |
| Julius Baer Investment Management | 33 |
| Batterymarch Financial Management | 31 |
| Alliance Capital Management International | 23 |
| G.T. Capital Management | 23 |
| SBC Portfolio Management International | 13 |
| B.T. Investment Management | 10 |
| Ivory & Sime International | 9 |
| Scudder, Stevens & Clark | 7 |
| Capital Management International of Deutsche Bank | 3 |
| Arnhold & S. Bleichroeder International | 0 |
| Baillie Gifford Overseas | 0 |
| Baring International Investment | 0 |
| Bessemer Trust* | 0 |
| Brown Brothers Harriman | 0 |
| Centerre Trust | 0 |
| Chase Investors Management | 0 |
| Daiwa International Capital Management | 0 |
| Fidelity Management Trust | 0 |
| Grantham, Mayo, Van Otterloo | 0 |
| Kemper-Murray Johnstone International | 0 |
| Kleinwort Benson International Investment | 0 |
| Mellon-Pictet International Management | 0 |
| Nomura Capital Management | 0 |
| Oechsle International Advisors | 0 |
| Putnam Cos. | 0 |
| Wellington Management/TDP&L | 0 |
| Total | 8,762 |

*as of Jan. 1, 1987


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Bessemer Trust

*The Bessemer Trust Companies: Offices in New York, Palm Beach, Miami, Washington, DC, London, Woodbridge, NJ, Grand Cayman*

Alison Ramsdale, Jeremy Lodwick and Anna Wei at (212) 230-2600 are client contacts.

### J.P. Morgan Investment Management Inc.

*83 Pall Mall, London, England SW1 Y5ES; 011-44-1-930-9444*

| | |
|---|---|
| Total assets managed | $11,282,000,000 |
| Tax-exempt assets managed: | |
| Total | $3,231,000,000 |
| Invested overseas | $3,231,000,000 |

J.P. Morgan Investment Management Inc., a subsidiary of J.P. Morgan & Co. Inc., managed $2.56 billion in international equity and $549 million in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31.

Those equity assets were committed most heavily to Japan, 40%; the United Kingdom, 20%; West Germany, 14%; Switzerland, 6%; and Canada, 4%.

As of the same date, there was $38 million in global equity and $87 million in global fixed-income accounts.

The global equity assets were committed most heavily to the United States, 35%; Japan, 30%; the United Kingdom, 10%; Canada, 5%; and West Germany, 4%.

The investment approach uses a well-defined decision-making process to manage the asset mix, country and currency exposure and individual bond and equity security selection to maximize total return and minimize risk in U.S. dollars. Investment strategies are tailored to meet client objectives.

Of the total assets under management, $574 million was for non-U.S. pension funds; there were 35 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt assets invested abroad, $1.047 billion was in commingled accounts.

Analysts or portfolio managers are stationed in New York, London, Singapore and Tokyo.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1984.

C. Nicholas Potter, president, is chief investment officer. Anthony P. Wilson, vice president, is client contact at (212) 826-7909.

### Nomura Capital Management

*180 Maiden Lane, Suite 2903, New York, N.Y. 10038; (212) 509-8181*

| | |
|---|---|
| Total assets managed | $1,134,000,000 |
| Tax-exempt assets managed: | |
| Total | $800,000,000 |
| International/global | $800,000,000 |

Nomura Capital Management Inc., whose parent is Nomura Investment Co. Ltd., managed $800 million in international equity accounts for 12 U.S. tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 49.1%; the United Kingdom, 17.7%; France, 10.6%; West Germany, 4.4%; and Australia, 4.2%.

Nomura has an active equity management approach using original fundamental and economic research to create portfolios through a disciplined valuation and a structured management process. Attention is focused on client risk parameters.

Minimum account size is $5 million.

Analysts or portfolio managers are located in Tokyo, New York, London, Washington, Hong Kong, Singapore and Shanghai.

The firm reported a $90 million net gain in U.S. tax-exempt institutional business in the year ended March 31 for international accounts.

The firm has a non-U.S. hedging capacity, and has been registered with the SEC since 1976.

Takeo Nakamura, president, is chief investment officer. Brian X. Fitzgibbon, senior vice president, is client contact.

### Oechsle International Advisors

*260 Franklin St., Boston, Mass. 02110; (617) 439-6270*

| | |
|---|---|
| Total assets managed | $500,000,000 |
| Tax-exempt assets managed: | |
| Total | $492,000,000 |
| International/global | $492,000,000 |

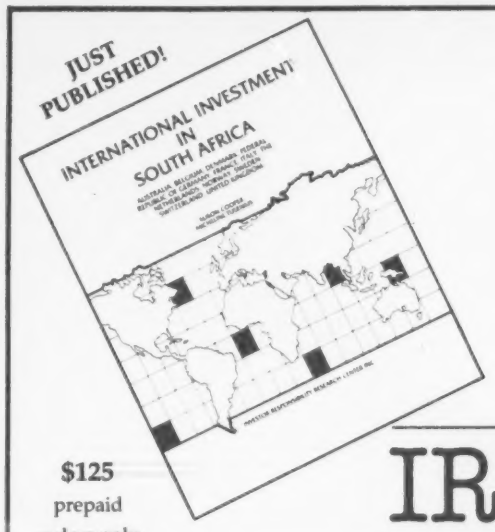
Oechsle International Advisors managed $492 million in international equity accounts for 12 U.S. tax-exempt institutional clients as of March 31. The assets were committed most heavily to Japan, 29.1%; Canada, 20.6%; the United Kingdom, 12.1%; Australia, 8.1%; and France, 7.5%.

Managers combine a top-down and bottom-up investment approach. Country and currency considerations are built into the top-down decision; stock picking and industry emphasis are the focus of the bottom-up analysis. From a top-down view, quantitative techniques and qualitative judgments are combined to establish weightings in each country. From the bottom-up, managers analyze sectors and individual issues to establish an approved stock list.

Of the total assets managed, $8 million was for non-U.S. pension funds.

Minimum account size for individual management is $10 million.

Analysts or portfolio managers are stationed in Boston, London and Tokyo.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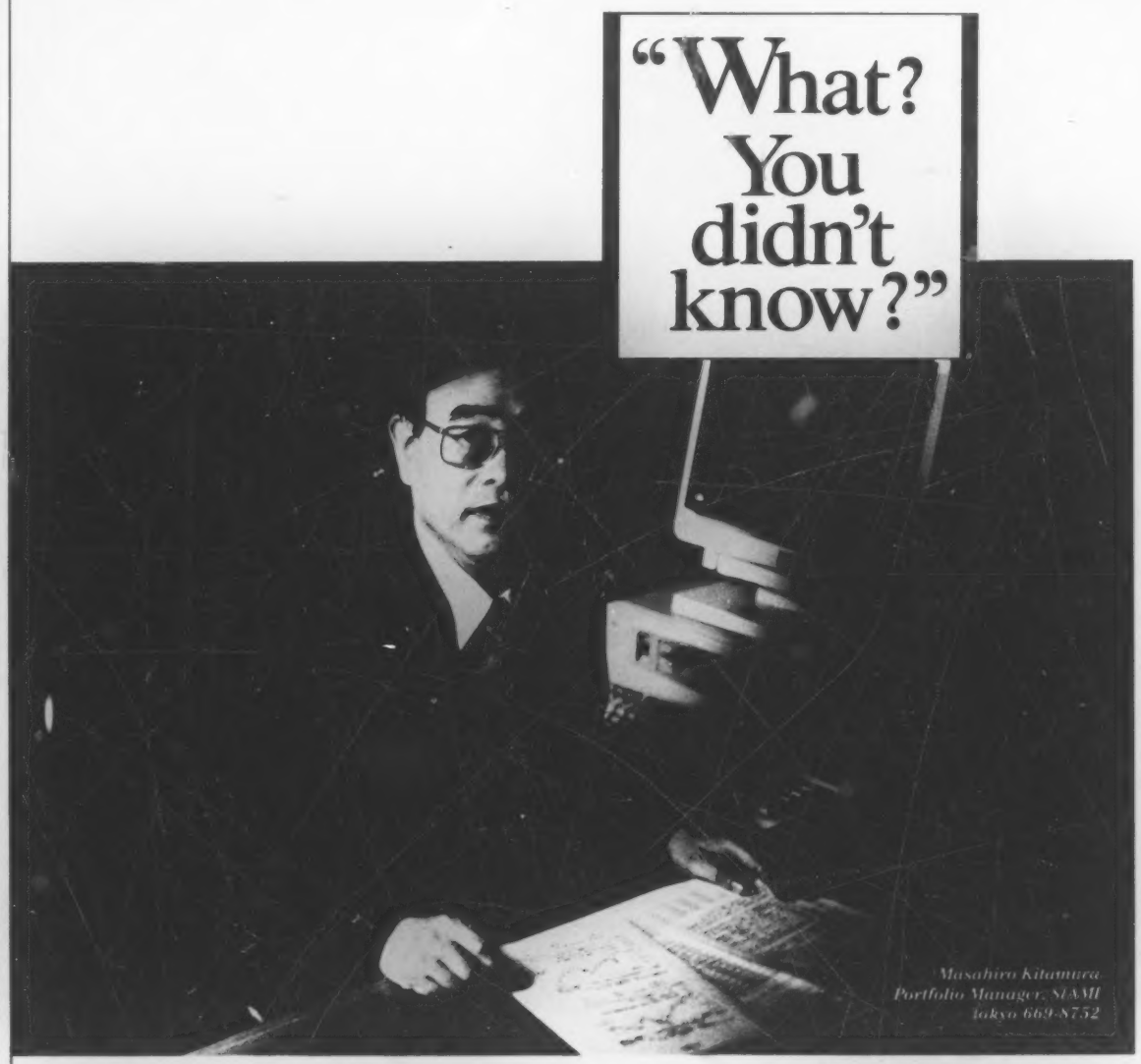


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The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1986.

Walter Oechsle, general partner, is chief investment officer. Stephen P. Langer, partner, is client contact.

### PCM International

*745 Broad St., Newark, N.J. 07101; (201) 877-4559*

| | |
|---|---|
| Total assets managed | $3,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $724,000,000 |
| International/global | $724,000,000 |

PCM International, a subsidiary of Prudential Insurance Co. of America, managed $347 million in international equity and $201 million in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31. The equity assets were committed most heavily to Japan, 34%; the United Kingdom, 20%; Canada, 14%; Hong Kong, 9%; and Singapore, 7%.

As of the same date, the firm managed $176 million in global fixed-income accounts for U.S. tax-exempt clients.

The investment approach for equities emphasizes bottom-up stock selection with defensive currency and stock market techniques. In fixed income, managers emphasize currency and maturity management using top-quality issues.

There were 25 U.S. institutional tax-exempt clients March 31; minimum account size for individual management for equities is $10 million.

All of the U.S. institutional tax-exempt assets invested abroad were in commingled accounts.

The firm reported a net gain of $63 million in U.S. institutional tax-exempt business in international and global accounts for the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1984.

Barry Gillman, managing director, is chief investment officer. Eric Nelson is client contact.

Cash management survey: Nov. 2.

### Rowe Price-Fleming International Inc.

*100 E. Pratt St., Baltimore, Md. 21202; (301) 547-2141*

| | |
|---|---|
| Total assets managed | $2,600,000,000 |
| Tax-exempt assets managed: | |
| Total | $2,062,000,000 |
| International/global | $2,062,000,000 |

Rowe Price-Fleming International Inc. managed $1.84 billion in international equity and $25 million in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31. Those equity assets were committed most heavily to Japan, 26%; the United Kingdom, 23%; France, 10%; West Germany, 8%; and Hong Kong, 8%.

As of the same date, the firm managed $200 million in global equity accounts for U.S. tax-exempt clients. Those assets were committed most heavily to Japan, 18.3%; the United Kingdom, 17.2%; the United States, 15.8%; France, 8.9%; and the Netherlands, 5.6%.

The active management style uses a top-down, bottom-up approach to equity investment. Large- and small-capitalization stocks are used, and its worldwide research capabilities are of primary importance. The fixed-income approach is fundamentally oriented with active management of credit markets and currency exposure.

The firm has 21 U.S. tax-exempt institutional clients; minimum account size for individual management is $10 million for equity accounts and $20 million for fixed-income accounts.

Of the U.S. institutional tax-exempt assets invested overseas, $25 million was in commingled accounts and $1.1 billion in mutual funds.

Analysts or portfolio managers are stationed in Bahrain, Baltimore, Frankfurt, Geneva, Hong Kong, Jakarta, Kuala Lumpur, London, New York, Paris, the Philippines, Seoul, Sydney, Melbourne, Taipei, Tokyo and Zurich.

The firm reported a net gain of $30 million in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1979.

Its parent companies are T. Rowe Price Associates, Robert Fleming Holdings and Jardine Fleming International.

Martin G. Wade, president, is chief investment officer. George A. Murnaghan is client contact.

### The Putnam Cos. Inc.

*1 Post Office Square, Boston, Mass. 02109; (617) 292-1795*

| | |
|---|---|
| Total assets managed | $41,100,000,000 |
| Tax-exempt assets managed: | |
| Total | $6,800,000,000 |
| International/global | $274,000,000 |

The Putnam Cos. Inc. (Putnam International Advisors), a subsidiary of Marsh & McLennan Cos. Inc., managed $274 million in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 23.1%; the United Kingdom, 14.9%; West Germany, 7.4%; the Netherlands, 6.3%; and Sweden, 5.8%.

The investment approach seeks to achieve above-average return over the longer term by significantly overweighting markets believed to be relatively attractive, while minimizing risk through diversification across markets. Stocks are bought whose present value is attractive in relation to expectations for cash earnings, per-share earnings and dividend growth over an investment horizon of 12 to 18 months. Stocks are sold when their present value fully reflects expectations for growth in earnings and dividends.

Of the total assets under management, $305 million was for non-U.S. pension funds; there were 137 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $92 million was in commingled accounts.

Analysts or portfolio managers are stationed in Boston, London and Tokyo.

The firm reported a $419 million net loss in U.S. institutional tax-exempt business in international equity accounts for the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1969.

Anthony W. Regan, head of international investments, is chief investment officer. Elliott M. Gartner, head of institutional marketing, is client contact.

### N.M. Rothschild International Asset Management Ltd.

*1 Rockefeller Plaza, New York, N.Y. 10020; (212) 757-6000*

| | |
|---|---|
| Total assets managed | $2,516,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,161,000,000 |
| International/global | $1,101,000,000 |

N.M. Rothschild International Asset Management Ltd., whose parent is N.M. Rothschild Asset Management (Holdings) Ltd., managed $439 million in international equity and $570 million in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31.

Those equity assets were committed most heavily to the United Kingdom, 35%; Japan, 30%; France, 9%; Hong Kong, 6%; and Canada, 6%.

As of the same date, it managed $92 million in global equity accounts for U.S. tax-exempt clients, with those assets most heavily committed to the United States, 60%; Japan, 15%; the United Kingdom, 10%; Hong Kong, 3.5%; and France, 3.5%.

The firm aims to add value by currency, market and stock selection. Most value is added by market selection. The firm's style is active and concentrated, with emphasis on currency.

Of total assets under management, $1.35 billion is for non-U.S. pension funds. There are 11 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million.

Analysts or portfolio managers are stationed in London, New York, Paris, Zurich, Tokyo, Hong Kong, Singapore, Kuala Lumpur, Sydney and Melbourne.

The firm reported a $115.9 million net gain in U.S. tax-exempt institutional business for the year ended March 31 for international and global accounts.

The firm has a non-U.S. hedging capacity, and has been registered with the SEC since 1980.

Chief investment officer is James Heyworth-Dunne. Client contact is Christopher Wyke.

### Frank Russell Trust Co.

*P.O. Box 1454, Tacoma, Wash. 98401; (206) 572-2282*

| | |
|---|---|
| Total assets managed | $5,400,000,000 |
| Tax-exempt assets managed: | |
| Total | $5,000,000,000 |
| International/global | $412,000,000 |

Frank Russell Trust Co., whose parent is Frank Russell Co., ran $412 million in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 27%; the United Kingdom, 20%; West Germany, 10%; Hong Kong, 7%; and Australia, 6%.

The firm uses a multimanager, multistyle approach to achieve better long-term investment returns with lower risk. The International I Fund uses four advisers with a global emphasis on non-U.S. equities. The International II Fund places emphasis on the Pacific Basin using four on-site advisers.

Because it does not manage the assets itself, its figures are not included in the aggregate data.

Of the total assets under management, $400 million was for non-U.S. pension funds; the firm has 155 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $5 million.

All of the U.S. institutional tax-exempt assets invested abroad March 31 were in commingled accounts.

The firm reported a $235 million net gain in U.S. institutional tax-exempt business for international equity accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability.

Michael C. Malone, vice president, is chief investment officer. Paul Kaltinick is client contact.

### SBC Portfolio Management International Inc.

*1 World Trade Center, Suite 9051, New York, N.Y. 10048; (212) 938-7465*

| | |
|---|---|
| Total assets managed | $345,000,000 |
| Tax-exempt assets managed: | |
| Total | $156,000,000 |
| International/global | $144,000,000 |

SBC Portfolio Management International Inc., whose parent is Swiss Bank Corp. International Securities Inc., managed $131 million in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 34%; the United Kingdom, 16%; France, 10%; Australia, 7%; and


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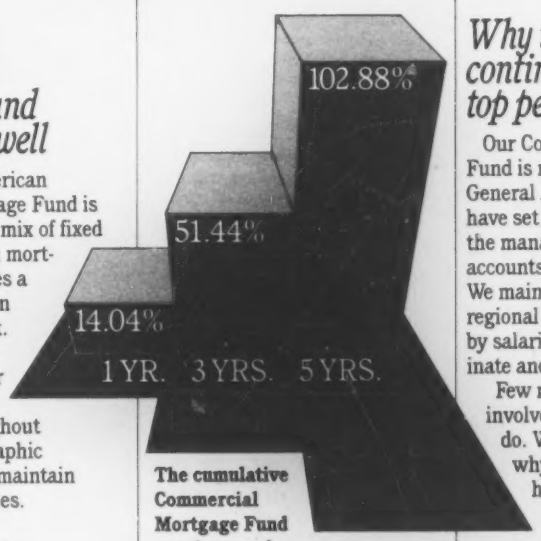


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Sweden, 5%.

As of the same date, it managed $13 million in global equity accounts, with those assets committed most heavily to the United States, 46%; Japan, 18%; the United Kingdom, 8%; France, 6%; and Canada, 4%.

SBC officials believe 80% of international investment "value-added" stems from the country selection, and structure the top-down philosophy, process and allocation of resources accordingly. Strong bets against the EAFE index are protected by aggressive currency hedging where appropriate. Stock selection uses value screens and favors small-capitalization issues where market liquidity permits.

Of the total under management, $189 million was for non-U.S. pension funds; there were nine U.S. tax-exempt institutional clients.

Minimum account size for individual management is $5 million.

SBC has access to analysts located worldwide, including the United Kingdom, Switzerland, the United States, Japan, Hong Kong, Singapore and Australia.

The firm reported a $53 million net gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1982.

Peter J. Morant is chief investment officer. John W. Conlin is client contact.

### Schroder Capital Management International

*1 State Street Plaza, New York, N.Y., 10004; (212) 269-6500*

| | |
|---|---|
| Total assets managed | $2,200,000,000 |
| Tax-exempt assets managed: | |
| Total | $1,509,000,000 |
| International/global | $1,509,000,000 |

Schroder Capital Management International Inc., whose parent is Schroders PLC, managed $1.37 billion in international equity accounts for U.S. institutional tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 35%; the United Kingdom, 20%; Switzerland, 10%; West Germany, 10%; and the Netherlands, 6%.

As of the same date, it managed $139 million in global equity accounts, with those assets most heavily committed to the United States, 47%; Japan, 17%; the United Kingdom, 11%; West Germany, 6%; and Switzerland, 6%.

Country allocations begin the investment process, with emphasis on stock selection in countries with the best economic prospects. Broad guidelines for country investment are based on two-year economic projections, with asset allocation based on shorter term considerations. Distinctively emerging growth stocks make up the core of Schroder portfolios. The firm emphasizes independent regional research.

Of the total assets managed, $562 million was for non-U.S. pension funds. There were 27 U.S. tax-exempt institutional clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $22 million was in in commingled funds and $522 million in mutual funds.

Analysts or portfolio managers are stationed in London, Zurich, Tokyo, Hong Kong, Singapore and Sydney.

The firm reported a net gain of $255 million in U.S. institutional tax-exempt business for international and global equity accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1980.

David M. Salisbury is chief investment officer. Sharon L. Haugh is client contact.

### Scudder, Stevens & Clark

*345 Park Ave., New York, N.Y. 10154; (212) 326-6200*

| | |
|---|---|
| Total assets managed | $38,419,000,000 |
| Tax-exempt assets managed: | |
| Total | $11,797,000,000 |
| International/global | $615,000,000 |

Scudder, Stevens & Clark managed $608 million in international equity accounts for U.S. tax-exempt institutional clients as of March 31. The assets were committed most heavily to Japan, 19%; the United Kingdom, 16%; France, 11%; West Germany, 10%; and the Netherlands, 8%.

As of the same date, it managed $7 million in global balanced accounts of U.S. tax-exempt clients. The equity assets of those accounts were committed most heavily to the United States, 44%; the United Kingdom, 11%; Japan, 5%; France, 5%; and West Germany, 4%.

The investment approach is both top-down and bottom-up. Assessments of the global economy and local market and currency factors are meshed with in-depth security analysis.

The firm has 650 U.S. tax-exempt institutional clients; minimum account size for individual management is $5 million.

Of the U.S. tax-exempt institutional assets invested abroad, $400 million was in mutual funds.

International analysts and equity portfolio managers are based in New York. International fixed-income portfolio managers/analysts are in Boston.

The firm reported a $25 million gain in U.S. institutional tax-exempt business for international and global accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1943.

Nicholas Bratt, managing director, is chief investment officer. Victoria J. Herget, principal, at (312) 861-2700, is client contact.

### State Street Bank and Trust

*225 Franklin St., Boston, Mass., 02110; (617) 786-3000*

| | |
|---|---|
| Total assets managed | $28,900,000,000 |
| Tax-exempt assets managed: | |
| Total | $25,620,000,000 |
| International/global | $3,249,000,000 |

State Street Bank and Trust Co., whose parent is State Street Boston Corp., managed $3.09 billion in international equity accounts for U.S. tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 58.9%; the United Kingdom, 14.4%; West Germany, 6.1%; France, 4.4%; and Switzerland, 3.3%.

As of the same date, it managed $158 million in global equity accounts, with those assets committed most heavily to the United States, 38.1%; Japan, 33.8%; the United Kingdom, 8.2%; West Germany, 3.6%; and Canada, 2.8%.

The firm offers flexible, quantitatively driven funds based on the EAFE index. These include index funds designed to replicate the EAFE; country selection funds, which index to selected country markets; and high-value portfolios, which select securities with the lowest price to cash flow, earnings and book value, but weight countries and industries according to the EAFE. World index funds, South Africa-free funds and the use of international futures also are available.

Of total assets under management, $570 million was for non-U.S. pension funds; there were 310 U.S. institutional tax-exempt clients.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $1.2 billion was in commingled accounts and $3 billion in index funds.

Analysts or portfolio managers are stationed in Boston.

The firm reported a net gain of $1.28 billion in the year ended March 31 in U.S. institutional tax-exempt business for international and global accounts.

The firm has a non-U.S. hedging capability.

Nicholas A. Lopardo, senior vice president, is chief investment officer. Peter E. Braun is client contact at (617) 654-3953.

### Templeton International

*Broward Financial Centre, Fort Lauderdale, Fla. 33394; (305) 764-7390*

| | |
|---|---|
| Total assets managed | $11,748,000,000 |
| Tax-exempt assets managed: | |


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| | |
|---|---|
| Total | $2,700,000,000 |
| International/global | $2,700,000,000 |

Templeton International, a subsidiary of Templeton, Galbraith and Hansborger Ltd., managed $2.69 billion in global equity and $15 million in global fixed-income accounts for 56 U.S. institutional tax-exempt clients as of March 31. The equity assets were committed most heavily to the United States, 51%; Australia, 11%; Canada, 8%; the United Kingdom, 8%; and Hong Kong, 7%.

The investment approach is stock selection oriented and is based on value orientation, flexibility, global perspective and discipline.

Of the total assets under management March 31, $92 million was for non-U.S. pension funds.

Minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $300 million was in mutual funds.

Analysts or portfolio managers are stationed in Fort Lauderdale, Nassau, London and Hong Kong.

The firm reported a $449 million net gain in U.S. tax-exempt institutional business for global accounts in the year ended March 31.

The firm has been registered with the SEC since 1954.

John M. Templeton, chairman, is chief investment officer. Ken Scislaw is client contact.

### Warburg Investment Management International

*787 Seventh Ave., 26th Floor, New York, N.Y. 10019; (212) 459-7150*

| | |
|---|---|
| Total assets managed | $1,189,000,000 |
| Tax-exempt assets managed: | |
| Total | $834,000,000 |
| International/global | $834,000,000 |

Warburg Investment Management International Ltd., whose parent is Mercury Asset Management PLC, managed $463 million in international equity accounts for U.S. tax-exempt clients as of March 31. The assets were committed most heavily to Japan, 57%; the United Kingdom, 9%; France, 5%; West Germany, 4%; and Switzerland, 3%.

As of the same date, it managed $303 million in global equity and $68 million in global fixed-income accounts for U.S. tax-exempt clients. Global equity assets were committed most heavily to the United States, 37%; Japan; 31%; the United Kingdom, 7%; France, 4%; and Canada, 3%.

The firm is an active manager and uses a combination of top-down and bottom-up techniques. Organizational strength and substantial research are vital to its investment approach.

Of the total assets under management, $29 million was for non-U.S. pension funds; there were 16 U.S. institutional tax-exempt clients.

Its minimum fee is $50,000.

Of the U.S. tax-exempt institutional assets invested abroad, $156 million was in mutual funds.

Analysts or portfolio managers are stationed in London and Tokyo.

The firm reported a $438 million net gain in U.S. tax-exempt institutional business for the year ended March 31 in international and global accounts.

The firm has a non-U.S. hedging capacity, and has been registered with the SEC since 1976.

Robert Michaelson is the chief investment officer. John Townsend is the client contact.

### Wellington Management Co./Thorndike, Doran, Paine & Lewis

*28 State St., Boston, Mass. 02109; (617) 227-9500*

| | |
|---|---|
| Total assets managed | $32,894,000,000 |
| Tax-exempt assets managed: | |
| Total | $10,247,000,000 |
| International/global | $166,000,000 |

Wellington Management Co./Thorndike, Doran, Paine & Lewis managed $162 million in international equity and $4 million in international fixed-income accounts for U.S. institutional tax-exempt clients as of March 31. The equity assets were committed most heavily to Japan, 21%; the United Kingdom, 21%; France, 10%; Switzerland, 9%; Spain, 8%; and the Netherlands, 8%.

The investment approach is to achieve superior, long-term equity results by focusing on a carefully selected, diversified, dynamic group of growing foreign companies. The emphasis is on timely identification of the best relative values among various foreign companies and markets; portfolios periodically are repositioned to take advantage of valuation changes.

The firm has 107 U.S. tax-exempt institutional clients; minimum account size for individual management is $10 million.

Of the U.S. tax-exempt institutional assets invested abroad, $60 million was in commingled accounts.

Analysts or portfolio managers are stationed in Boston and London.

The firm reported a net loss of $27 million in U.S. institutional tax-exempt business for international equity accounts in the year ended March 31.

The firm has a non-U.S. currency hedging capability, and has been registered with the SEC since 1960.

Robert W. Doran is chief investment officer. Dena Willmore is client contact.


# Columbus Circle Investors Delivers...

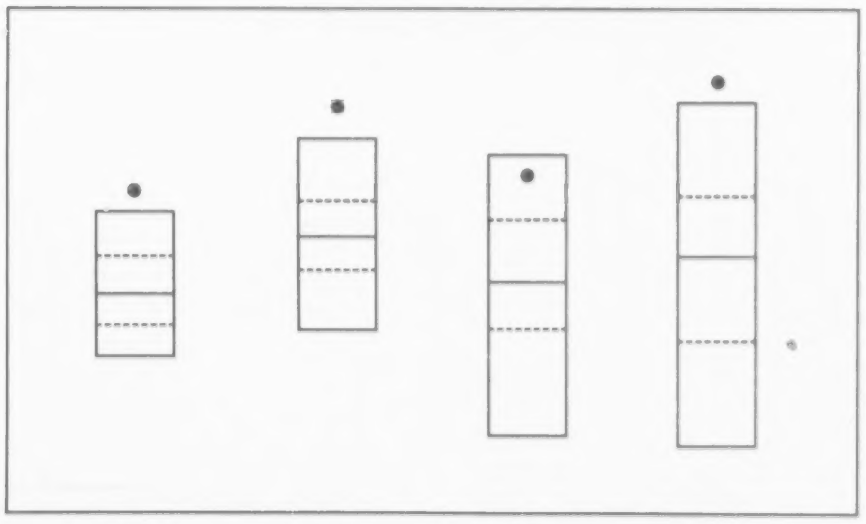
## Consistent Investment Results

- 9 of 10 Years Outperformed S&P 500
- 4 of Last 5 Years in Top 3 Percent of SEI Equity Fund Universe

## Dedicated Client Service

- Performance to Client Objectives
- Client Satisfaction
- Client Oriented Experience

## Equity Investment Performance
Periods Ending December 31, 1986



| | 10 Years | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| CCI Return (●) | 19.9 | 26.4 | 21.9 | 27.3 |
| SEI Ranking* | 3 | 1 | 7 | 1 |
| S&P 500 | 13.8 | 19.9 | 18.5 | 18.7 |

*Annualized Rates of Return*
**Source: SEI Funds Evaluation*
***Past results do not assure future performance.*

Columbus Circle Investors Inc.

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Chicago, IL 60605
(312) 294-5206


# Billion . . .

*Continued from page 35*

global assets, $3 billion is in index funds.

Capital Research & Management, which is adviser to the American Funds Group of Mutual Funds, tripled its global account assets to $246 million from $80 million last year, moving up four spots to rank 10th.

Grantham, Mayo, Van Otterloo & Co., Boston, rose to fifth place with $2.25 billion in international account assets from seventh. It added three to four new clients for quantitatively managed commingled funds, said Diane Whelan, marketer and trader.

In a departure from previous years' directories, *P&I Age* this year profiled only the top 50 managers in terms of foreign discretionary U.S. tax-exempt assets under management — international and global assets combined.

Frank Russell Trust Co., Tacoma, Wash., is profiled but not included in the rankings or the aggregate data because it is a manager of managers; it does not itself run money.

Assets of Fiduciary Trust Co. International, New York, ranked third this year with $700 billion in global assets, were understated last year because the firm did not include U.S. assets in its global figure, said Belinda Gibbs, assistant vice president.

Baillie Gifford Overseas, Edinburgh, Scotland, gained a sizeable total of $165 million in international accounts this year compared with $96.3 million last year. The firm's $2 million figure last year was incorrect. Gain was based on 59% return in 1986 and additional contributions from existing clients.

Because the questionnaire did not specify to include only assets in accounts with global or international mandates and whose investment performance is measured against global or international indexes or manager universes, two money managers — Eaton Vance Management, Boston, and BEA Associates Inc., New York — listed themselves as global managers because they have foreign securities in their domestic portfolios.

Eaton Vance ranked second in global assets with $1.44 billion; it was not included in last year's directory.

BEA Associates jumped to $586 million in global accounts, ranking fourth, from nothing last year.

A small portion, $8.3 billion, in tax-exempt assets invested abroad were in commingled accounts; $4.3 billion, in mutual funds, and $3.28 billion in index funds. ●

# Letters to the editor

The following Letters to the Editor are in response to the May 25 Largest Money Managers issue. The regular letters column appears on page 10.

## David J. Greene

To the Editor: I am writing regarding the profile of David J. Greene and Co. on page 80 of the May 25 *Pensions & Investment Age* special profiles issue. In particular, I would like to draw your attention to the paragraph describing our equity approach. While your statement is accurate, you neglect to mention a key element of our investment philosophy by omitting the phrase "emphasis is placed on special situations."

Investing in special situations has been an integral part of our investment philosophy for over 50 years and in combination with undervalued securities has produced consistent results.

The ownership of special situations differentiates us from the majority of value investors and provides us with opportunities when the general market appears overvalued by most historical comparisons. Special situations may at times constitute over 30% of an equity portfolio and therefore we trust will be included in any future descriptions of David J. Greene and Co.'s investment philosophy.

We thoroughly enjoy receiving your publication and read with special interest your articles highlighting trends within the industry. As always, we are pleased to be included in your profiles of the largest money managers.

**Nanci D. Tucker**
David J. Greene and Co.
New York

## Aetna Life Insurance

To the Editor: The following corrections should be made to the separate accounts asset mix given on our 1987 investment adviser questionnaire:

Stocks, 35.01%, $3.2 billion; bonds, 7.12%, $651 million; cash, 20.42%, $1.87 billion; equity real estate, 24.26%, $2.22 billion; mortgages, 12.08%, $1.11 billion; international, 1.11%, $102 million.

The above changes would be reflected in two of the charts in your May 25 special profiles issue, moving us to sixth largest equity real estate adviser and fourth largest mortgage adviser.

**Barbara A. Aurell**
Manager,
Aetna Life Insurance Co.
Hartford, Conn.

## Sanwa Bank

To the Editor: Please note the following changes in the information published in the May 25 profiles issue.

Cynthia S. Ellner is no longer employed with Sanwa Bank California. The client contact is now Vincent L. Shepherd, senior vice president and deputy division head.

**John R. Thompson**
Vice president and
senior trust investment officer
Sanwa Bank California
Los Angeles

## Frontier Capital

To the Editor: In reviewing the May 25 profiles issue, we felt the description of Frontier was somewhat incomplete.

Frontier Capital Management Co.'s equity portfolios focus upon the identification of sectors and industries likely to grow at above-average rates over a two- to three-year time period. Portfolios are then constructed of companies likely to benefit from these trends resulting in a weighted average earnings growth rate significantly greater than that of total corporate profits.

In addition to its core equity portfolios, Frontier offers specialized portfolios of smaller-capitalization companies.

The above engages in fundamental research and quantitative screening of over 1,000 companies. Approximately 150 companies are closely followed at any point in time.

**John A. McQuilkin**
Senior vice president
Frontier Capital Mgmt. Co.
Boston

## Adams Express Co.

To the Editor: Pursuant to our phone conversation of today, this is to note the Adams Express Co. has no parent company and does not emphasize energy stocks. However, because of our affiliation with Petroleum & Resources Corporation, we do have expertise in energy stocks. We were not 100% invested in stocks Jan. 1; it should have been 95%.

**Monica C. Loh**
Vice president
Investment advisory services
Adams Express Co.
Baltimore

## DP Asset Mgmt.

To the Editor: I am sorry we were not included in the 1987 investment manager survey.

Attached are the data for publication. All correspondence should be sent to my attention.

DP Asset Management Inc.; 3801 Kennett Pike, C. 304; Wilmington, Del. 19807; (302) 658-7675.

The firm manages total assets of $132 million, of which $77 million is from 22 tax-exempt clients.

The tax-exempt asset mix was equities, 68%; bonds, 29%; and cash and short-term, 3%.

The investment strategy is bottom up, emphasizing small- to medium-capitalization equities. It provides both balanced and equity management. International management is available through PHP.

It employs five analysts.

The firm is a subsidiary of Delfi American Corp. & Pierson, Heldring & Pierson, Amsterdam.

Key personnel for tax-exempt accounts are Daniel Devine, executive vice president and chief investment officer; Peter Cooke, executive vice president and senior portfolio manager; and Francis DeMariel Keen, vice president and secretary.

Mark Hanna, executive vice president, is client contact.

**Mark C. Hanna**
Executive vice president
DP Asset Management Inc.
Wilmington, Del.

## Liberty Capital Mgmt.

To the Editor: Liberty Capital missed the opportunity of appearing in your May 25 profiles issue. We would like to submit the following information:

Liberty Capital Management Inc.; 11 Broadway, Suite 1066; New York, N.Y. 10004; (212) 509-0550.

Total assets managed, $500 million; tax-exempt assets managed, $220 million; tax-exempt clients, 55; types of accounts managed — corporate, foundations, government and jointly trusteed; minimum separate account, $5 million; number of portfolio managers, 3.

Liberty Capital Management is a fixed-income manager specializing in government securities.

Its investment approach is active, based on quantitative, risk-averse management of securities, with the goal of producing capital gains during periods of price strength. Options on futures can be used to enhance returns during periods of price weakness.

Clients include Coleman Co., ILGWU and the Cleveland Clinic.

Jonathan Leader is president and chief investment officer. Susan B. Thompson is client contact.

**Susan B. Thompson**
Marketing manager
Liberty Capital Management
New York

## Marsh & Cunningham

To the Editor: Enclosed is the lost information on Marsh & Cunningham.

Marsh & Cunningham Inc.; 1 Liberty Square, P.O. Box 1961; Boston, Mass. 02105; (617) 482-0290.

Total assets managed, $212 million; tax-exempt assets managed, $81 million; international assets managed, $51 million; minimum separate account, $1 million; number of portfolio managers, 4; types of accounts managed — corporate pension funds and educational and private endowments.

In management portfolios we stress broad diversification among investment-quality securities having good dividend yields, modest price-earnings ratios, favorable price-to-book relationships and liquid markets.

Chief investment officers are John B. Marsh and Joseph M. Cunningham Jr., principals. Client contact is Douglas E. Hart, principal.

**Douglas E. Hart**
Marsh & Cunningham Inc.
Investment Management
Boston, Mass.

## GAMCO Investors

To the Editor: Somehow we were shut out! At year-end 1986, GAMCO Investors Inc. had total assets of $1.25 billion under management, of which $900 million was tax-exempt. This would have placed GAMCO Investors Inc. at a ranking of 286, up from 300 in 1985 when we had $630 million in tax-exempt assets ($898 million in total) and up from 394 in 1984.

We are an equity manager that invests in companies that are selling at a discount to their private market value. We do all our own research, and have approximately 90 companies in our portfolio.

Mario J. Gabelli is the chief investment officer, Douglas R. Jamieson is the client contact. The minimum separate account size is $5 million.

**Douglas R. Jamieson**
GAMCO Investors Inc.
New York

## Midlantic Corp.

To the Editor: Midlantic Corp. was not included in the May 25 special directory of money managers.

Midlantic Corp. is at 499 Thornall St., Edison, N.J. 08818; (201) 321-8380.

As of Jan. 1, total assets under management were $3.6 billion; of that, $1.9 billion was tax exempt.

In equities, Midlantic is decidedly value-oriented and as a result tends to be contrarian. Strong financials are essential and decision rules provide the discipline necessary to take advantage of market emotions.

In fixed income, Midlantic invests in high-quality, moderate maturity shift with laddered structure and average maturity ranging between five and eight years. Mortgage pass-through bonds account for substantial positions.

There are 11 portfolio managers and three members of the research staff. The firm follows 300 stocks closely and develops a portfolio of 25 to 30 equities.

Minimum account size for individual management is $5 million. Clients include Hoffman-LaRoche, Foster Wheeler and Kidde.

William P. DuBose, senior vice president, is the chief investment officer and department head.

**Walter T. Bednarz**
Client contact
Midlantic National Bank
Edison, N.J.

## Seafirst Bank

To the Editor: Information on Seafirst Bank was not included in your May 25 issue on money managers. I have prepared the following information for you.

Total assets managed, $2.8 million; tax-exempt assets managed, $682,000; types of accounts managed, corporate, endowments and foundations; minimum separate account, $1 million; number of portfolio managers, 5; and size of research staff, 8.

Seafirst is an equity, fixed-income, balanced and real estate manager. Its equity approach emphasizes value. A cash decision and emphasis on stock groupings are additional strategies used. Its fixed-income approach uses moderate changes in duration of portfolios combined with sector analysis with an emphasis on mortgage-backed securities.

The asset mix Jan. 1 was 19% equity, 45% fixed-income and 36% cash.

John P. Privat, vice president, is chief investment officer. Steven A. Horman, vice president, is client contact.

Thank you for your assistance.

**Steven A. Horman**
Vice president
Trust division
Seafirst Bank
Seattle

## Harris Associates

To the Editor: Harris Associates L.P. has been left out of your listing of the largest money managers. The data follow:

Harris Associates, L.P.; 2 N. LaSalle St., Suite 500, Chicago, Ill. 60602; (312) 621-0612.

Total assets under management as of March 31 were $3.09 billion. Tax-exempts assets totaled $1.28 billion for 153 clients. Of the tax-exempt total, discretionary accounts made up $1.26 billion.

The asset mix was 77% stocks, 12% bonds and 11% cash.

The minimum amount required for separate accounts is $5 million.

There are six portfolio managers and 10 researchers.

Earl J. Rusnak Jr., principal, is client contact.

We hope you will correct this oversight.

**Earl J. Rusnak, Jr.**
Principal
Harris Associates L.P.
Chicago

ASB Capital Management Inc. was omitted inadvertently from this table when it appeared in the May 25 issue.

**25 largest managers of equity index funds**

| Manager | $ millions |
|---|---|
| Wells Fargo Investment Advisors | 34,331 |
| Bankers Trust-Investment Management Group | 19,500 |
| State Street Bank and Trust | 8,361 |
| American National Bank & Trust, Chicago | 8,250 |
| Mellon Capital Management | 7,500 |
| Dimensional Fund Advisors | 2,954 |
| Alliance Capital Management | 2,885 |
| Wilshire Asset Management | 2,500 |
| Prudential Asset Management Group | 897 |
| Northern Trust/Strategic Investment Services | 800 |
| Boston Co. | 517 |
| Citicorp Investment Management | 499 |
| RepublicBank Dallas | 410 |
| ASB Capital Management | 401 |
| Chase Investors Management | 396 |
| Tenneco Asset Management | 319 |
| Centerre Trust | 300 |
| Manufacturers National Bank of Detroit | 300 |
| Harris Trust & Savings Bank | 276 |
| T. Rowe Price Associates | 240 |
| First Interstate Bank of California | 162 |
| Metropolitan Life Insurance | 132 |
| BA Investment Management | 129 |
| Travelers Cos. | 112 |
| Derivative Markets Management | 84 |
| **TOTAL** | **92,255** |

## Corrections & clarifications

- **The Putnam Cos. Inc.** offers both passive and active fixed-income management. The investment approach printed in the firm's May 25 profile could have been read as offering passive investment only.
- The telephone number of **PM Portfolio Management GmbH** was printed incorrectly in the firm's May 25 profile. The correct number is 011-89-33-20-36.
- The figure given for total assets managed by the Top 100 investment managers in the **Profile statistics at a glance** chart in the May 25 issue was incorrect. The correct figure is $1.811 trillion.
- Townsend Asset Management and Henderson International should not have been included among the top 100 investment advisers by total assets in *Pensions & Investment Age*'s May 25 special issue on the largest money managers.

# Money movers

### *Warner-Lambert Co.*

MORRIS PLAINS, N.J. — The nearly $1 billion Warner-Lambert Co. pension fund has added two active international equity managers, according to Marc Shapiro, director of pension investments.

Assets will be rebalanced so that the new managers — Schroder Capital Management International, New York, and SBC Portfolio Management International Inc., New York — and the fund's holdover international equity manager, Rowe Price-Fleming International Inc., Baltimore, each will run $30 million.

Assets for the new managers mainly came from an international equity account managed by Putnam International Advisors, Boston. The firm was terminated due to a loss of key personnel, Mr. Shapiro said (*Pensions & Investment Age*, Sept. 1, 1986). A small portion of assets came from Rowe Price-Fleming's account.

Warner-Lambert officials decided against hiring an index fund manager because "at this point we felt it was more prudent to remain actively managed. Indexing is an active bet on the strength of the Japanese market, which makes up about 60% of the (Morgan Stanley Capital International Europe Australia Far East) index, Mr. Shapiro said.

The managers were chosen because of their continuity of professionals, consistent performance, and reputation in terms of client service.

### *Canteen Co.*

CHICAGO — Canteen Co. hired five new managers and released one balanced manager for a total of $60 million in pension and profit-sharing assets, said Karl Sedlarz, vice president at Canteen.

Canteen, a division of TW Services Inc., New York, has $19 million in profit-sharing assets and about $55 million in pension assets, Mr. Sedlarz said.

The remaining $14 million is invested directly with insurance companies, primarily in guaranteed investment contracts, he said.

The managers hired were Harris Trust and Savings Bank, Chicago, equities; Sun Bank Investment Management Group, Orlando, Fla., equities; Newbold's Asset Management, Philadelphia, equities; Kemper Financial Services Inc., Chicago, fixed income; and CMB Investment Counselors, Los Angeles, fixed income.

Mr. Sedlarz declined to release the specific allocations. "It was approximately an even split, although some got more and some got less," he said.

Frank Russell Trust Co., Tacoma, Wash., was terminated.

The new hires were not expected to alter the funds' asset mix. The consolidated asset mix of the portfolios was 54% equities and 46% fixed income, including GICs, bonds and some real estate, said Mr. Sedlarz.

Performance Analytics Inc., a consulting firm based in Chicago, aided the company with its manager search.

### *Georgia-Pacific Corp.*

ATLANTA — The Georgia-Pacific Corp. Atlanta, has hired Cramer, Rosenthal & McGlynn Inc., White Plains, N.Y., and Husic Capital Management, San Francisco, to manage a total of $30 million in equity assets for the $375 million pension fund.

The two managers were hired to outperform the core equity portfolios that track the Standard & Poor's 500 stock index, said John E. Stettler, director of employee benefit investments.

Cramer and Husic each received $15 million in June, Mr. Stettler said. Funds for two firms came from contributions and a recently terminated manager, which he declined to identify.

Ennis, Knupp & Associates, Chicago, served as the search consultant.

### *McGill University*

MONTREAL — The $265 million McGill University Endowment Fund, Montreal, has hired and allocated a total of $28 million to Oppenheimer Capital Corp. and First Manhattan Capital Management, both of New York, for management in U.S. equities.

S.J. Budden, treasurer, said the allocation came from a terminated manager he declined to name, which had invested in a balanced account of Canadian stocks and fixed income. The allocation increases the endowment's allocation of U.S. equities to 25%.

Evaluation Associates Inc., Westport, Conn., was the consultant.

### *Procter & Gamble Co.*

CINCINNATI — Procter & Gamble Co. replaced three managers and hired Wells Fargo Investment Advisors, San Francisco, and IDS Advisory Group, Minneapolis, in shifting $100 million for three employee benefit funds, according to John R. Smith, manager-pension plan coordination.

P&G hired Wells Fargo to replace Griffin Group, Chicago, as sole manager for its $40 million Norwich-Eaton defined benefit fund.

For its $106 million Richardson-Vicks defined benefit fund, P&G replaced Glickenhaus & Co., New York, an equity manager, and Western Asset Management Co., Los Angeles, a fixed-income manager, and assigned the $20 million each ran to Wells.

For both pension funds, Wells will divide the money equally into equity and fixed-income index funds.

Also, P&G hired IDS Advisory to run its $20 million 501(c)9 post-retirement medical fund in a balanced account. That money had been run in-house.

Mr. Smith said the moves were made to improve performance and simplify management. No consultant was used.

### *Chicago Sun-Times*

CHICAGO — The Chicago Sun-Times hired three new balanced fund managers, after terminating accounts with two other investment managers, according to Gerald Corcoran, controller.

Investment Advisers Inc., Minneapolis; Smith Barney Capital Management, New York; and Citicorp Investment Management Inc., Chicago; were selected to manage a total of $28 million in defined benefit assets, according to Mr. Corcoran. The fund covers editorial employees of The Newspaper Guild as well as office workers.

Investment Advisers and Smith Barney were allocated $10 million each, while Citicorp received $8 million in assets.

### *Washington University*

ST.LOUIS — Washington University's $1.2 billion endowment fund has hired Trinity Investment Management Corp., Boston, and Dreman Value Management, New York, to manage separate $20 million equity accounts, said Jerry Woodham, treasurer. The assets will be taken from unallocated cash, he said.

The growth-oriented endowment fund added the two value managers to protect its assets from unpredictable movements in today's volatile market. Trinity and Dreman are two of the strongest value managers around, Mr. Woodham said.

"We like their three- to five-year performance numbers," Mr. Woodham said.

The Wellesley Group Inc., Waltham, Mass., and Cambridge Associates, Cambridge, Mass., assisted in the search. The endowment fund's asset allocation as of March 31 was 79.5% equities, 17.5% fixed income and 3% cash.

# Finnish market a good bet

**By Marlene Givant**

LONDON — Quietly benefiting from trade with the Soviet Union, a pro-business government and an expanding manufacturing base, the Finnish stock market is a good bet for sophisticated international investors with a long-term outlook, according to an American Express Asset Management report written by Chilton Thomson, director.

The small but sophisticated market is a world leader in several niche industries, from the manufacture of exercise bicycles to icebreakers, and its base of exports is growing beyond the country's large forest products sector.

The 20% of goods and services Finland exports to the Soviet Union is shrinking as Finland begins to boost trade with large Western markets.

In response to the nation's increasing competitiveness, local investors, who dominate the Finnish market, are re-rating stocks in a manner more in line with ratings of companies in larger markets. This is raising relatively low Finnish price-earnings multiples.

Locally, the Finnish government is increasingly supportive of business.A conservative coalition elected in March "will undoubtedly reinforce these positive trends," he added.

The government also recently raised the limits on foreign stock ownership. Formerly a company could offer 20% of shares to foreigners; companies may now offer 40%.

Because Finland's market isn't part of any established international index, equities are underowned by global investors — "a situation which is likely to change over time," Mr. Thomson wrote.

At the end of 1986, the stock exchange list included 100 share listings for 52 companies, of which 36 listings were open to foreigners. The market capitalization then was about $13 billion.

On current earnings, the market is on a multiple of 11, although this is difficult to calculate, he wrote. "Finnish accounting is exceedingly conservative and in addition, tax laws permit generous reserves. The result is that analysts don't agree about historic earnings, let alone prospective ones."

In addition, there s limited liquidity and trading is generally difficult especially since there is no market making per se.

Two banks, an insurance company and a conglomerate dominate the list of Finnish companies. The largest bank is the **Union Bank of Finland**, closely followed by **Kansalis-Osake-Pankki** or KOP. **Pohjola Group** is the largest insurance company. "These three institutions all have extensive holdings of Finnish equities, valued at much less than market value, and all are thus in a sense proxies for the market," Mr. Thomson wrote.

The largest company, **Nokia Oy Ab**, is a conglomerate whose activities range from rubber boots and tires to computer monitors, he wrote.

Finnish exports surged 11% in the last quarter of 1986. As a result, the overall corporate earnings outlook for Finland is quite bright; corporate profitability is expected to increased about 10% in 1987.

American Express, which manages $450 million for U.S. tax-exempt clients, invests 3% to 5% in Finland in a typical aggressive equity portfolio. ■

An incorrect column was entered for the IRRC data in the proxy voting results table published June 15. A corrected table is printed below.

## Summary of voting results of shareholder rights proposals

| Company | Proposal sponsor | % institutional ownership 3/31/87 | Georgeson & Co. Report % voting for proposal: as a % of outstanding | Georgeson & Co. Report % voting for proposal: as a % of shares voting on proposal (with abstentions) | IRRC % voting for proposal: as a % of shares voted (no abstentions) | IRRC % voting for proposal: as a % of shares voting on proposal (with abstentions) |
|---|---|---|---|---|---|---|
| AMR | CalSTRS | 71 | 27.4 | 37.9 | 45.9 | 37.9 |
| American Cyanamid | CREF | 58 | 19.8 | 28 | 28.4 | 28 |
| Anheuser-Busch | CalSTRS/CalPERS[1] | 53 | 10.4 | 15.9 | 16.4 | 15.9 |
| Champion International | Carpenters | 61 | 19.9 | 30.7 | 33.2 | 30.7 |
| Colgate-Palmolive | CalSTRS/CalPERS | 45 | 13.8 | 21.4[3] | 21.4 | NA |
| Control Data | CalSTRS | 69 | 18.4 | 28.9 | 29.7 | 29 |
| Eaton | CREF | 54 | 24.8 | 32.6 | 32.7 | 28 |
| Emery Air Freight | State of Wisconsin | 48 | 26 | 33.9 | 41.4 | 33.9 |
| Federated Department Stores | CREF | 73 | 27.8 | 36.2 | 36.2 | 34 |
| Great Northern Nekoosa | CalSTRS/CalPERS | 68 | 28.6 | 40.2[4] | 40.2 | 40.2 |
| Honeywell | CalSTRS/CalPERS, State of Wisconsin | 67 | 12.9 | 25.5[3] | 25.5 | 20.3 |
| Hospital Corp. of America | CalSTRS/CalPERS | 61 | 24.5 | 35.1 | 35.8 | 35 |
| International Paper | CREF | 56 | 18.7 | 26.3 | 27.7 | 26.4 |
| Kraft | CalSTRS/CalPERS | 50 | 15.5 | 22.4[3] | 22.4 | 21.8 |
| Kroger | CalSTRS/CalPERS | 35 | 17 | 22.4 | 22.4 | 20.9 |
| Louisiana Land & Exploration | CalSTRS/CalPERS | 67 | 19.9 | 25 | 27.1 | 25 |
| McDonald's | CalSTRS/CalPERS | 57 | 25.3 | 32.3 | 35.4 | 32.3 |
| Mobil | Individual | 45 | 20.1 | 27.2 | 27.2 | 25.6 |
| Monsanto | CalSTRS/CalPERS | 63 | 20.8 | 26.8 | 30.8 | 26.9 |
| NCR | CalSTRS/CalPERS | 66 | 21.6 | 26.4 | 29.9 | 26.4 |
| J.C. Penney | CREF | 61 | 25.3 | 29.2 | 31.5 | NA |
| Pitney Bowes | CREF | 68 | 23.9 | 32.6[3] | 32.6 | 28.6 |
| Raytheon | CREF | 60 | 20.9 | 30.2 | 30.2 | 26 |
| Santa Fe Southern Pacific | Individual | 44 | 14 | 20.1 | 20.1 | 16.6 |
| Schering-Plough | CREF | 60 | 19.7 | 27.1[3] | 27.1 | 26.2 |
| Texaco | CalSTRS/CalPERS | 42 | 16.7 | 26.9[3] | 26.8 | 21.5 |
| Unisys | CalSTRS/CalPERS | 67 | 12.5 | 19.2[3] | 22.3 | 19.2 |
| United Technologies | CREF | 54 | 24.3 | 28.3 | 32.9 | 28.3 |
| Upjohn | CalSTRS/CalPERS | 59 | 26.8 | 34.5 | 40 | NA |
| USG | CalSTRS/CalPERS | 43 | [2] | [2] | 27.9[5] | NA |
| USLife | CalSTRS/CalPERS | 53 | 18.5 | 25.1 | 26.2 | 25.1 |

[1] California Teachers'/California Public Employees'
[2] Not voted at meeting
[3] Without abstentions
[4] Using total quorom
[5] The proponent did not appear in time
NA not available

# NOTE

ONLY THE FOLLOWING PAGES OF THIS

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Cov. 1, pgs. 2, 3, 6, 17,

18, 41

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# Pensions & Investment Age



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## Armco fund sells stock

By Joel Chernoff

PARSIPPANY, N.J. — The $1.5 billion Armco Inc. pension fund sold a special issue of preferred stock for $13 million less than its value when Armco contributed the stock to the fund four years ago.

The fund sold the 1 million-share issue of $4.50 cumulative convertible preferred stock on the secondary market for $37 million, or $37 per share. The shares were valued at $50 each when contributed to two of Armco's pension plans in June 1983.

The selloff is the second recently by a steel industry pension fund. Last month, the USX Corp. pension fund sold back 1 million shares of preferred stock to the company. Those shares stemmed from a 2.5 million-share contribution originally made by the company in 1983 that later was swapped for a different issue of preferred stock and warrants.

In 1986, the USX pension fund sold 1.5 million shares of the new preferred stock to the public. Last month's sale —


*Continued on page 41*


# Bail-out by Ginnie Mae

## Agency assumes 25% of mobile home portfolios

By Marcia Parker

The Government National Mortgage Association, Washington, has taken over six troubled mobile home loan portfolios totaling $850 million to $900 million because of mounting defaults, and now is wrestling with how to minimize potentially significant losses to the government.

That represents about 25% of the present outstanding balances on mobile home loans backing $3.6 billion in Ginnie Mae securities.

This does not appear to have affected the private market, however, as issuers led by Green Tree Acceptance Corp., St. Paul, Minn., are putting the finishing touches on about $200 million in new private placements of mobile home loan-backed securities.

The mobile home loan portfolios Ginnie Mae took over belong to six mobile home financiers mostly in the depressed oil patch and agricultural states of the Southwest. The individual mobile home owners were hit by the regional economic downturn and have had trouble meeting payments. Ginnie Mae officials, who declined to identify the six lenders, aren't yet certain what losses their agency might have to absorb.

"There will be a net loss, but we don't yet know how much," said Louis Gasper, executive vice president of Ginnie Mae. "We haven't inventoried everything yet."

Ginnie Mae buys loans from a long list of approved lenders and swaps them for its own securities backed by the loans, which the lenders can keep or sell. The lenders remain responsible for servicing and making principal and interest payments to investors.

Because Ginnie Mae is a U.S. government entity, the government's full faith and credit guarantee stands behind every security. That means if even one mortgagee doesn't make his or her payments, and the lender, in turn, isn't able to pay the investor who bought the securities backed by the loans, Ginnie Mae must take over the portfolio and pay the security holder.

Not all loans in the portfolios Ginnie Mae assumed are bad, but Mr. Gasper declined to give a specific percentage.

He said he doesn't expect Ginnie Mae to be confronted with many more troubled mobile home loan portfolios. "Our guess is we've gotten into the soup as deeply as we can get. We are seeing some signs that things have stabilized," he said.

The problem loans Ginnie Mae holds surface at a time when the still-infant market for securities backed by mobile home mortgages is beginning to take off.

Although it's a relatively new niche in the fast-growing mortgage-backed securities market, mobile home loans are satisfying what appears to be a sizable appetite among issuers and investors for new assets to securitize.

Hugh Frater, senior associate at Shearson-Lehman Brothers Inc.'s mortgage securities group, New York, estimates total manufactured housing debt outstanding is about $27.5 billion. Only about 10% has been securitized through Ginnie Mae guarantee programs and an equally small percentage securitized by other issuers that placed them privately with institutional investors.

Ginnie Mae's difficulties also come on the heels of widespread questioning in the investment community over whether investors truly understand the risks inherent in owning highly complex mortgage-backed securities. Debate was spurred by Merrill Lynch & Co.'s $275 million in losses in May from mortgage-backed securities trading.

Ginnie Mae isn't the only issuer to feel the fallout from bad mobile home loans. Non-government issuers like Green Tree and General Electric Credit Corp., Stamford, Conn., have had their share.


*Continued on page 39*


## Inside:


UNDERVALUED: Leonard J. Heine of Asset Management Corp. is waiting for value managers to make a comeback. In the meantime, he's holding more than $1 billion in assets in cash equivalents — Page 12.

# California Teachers' puts $6 billion into bond index

By Jacqueline Dutton

SACRAMENTO, Calif. — In a major step toward its goal of moving to in-house management of fixed income, the California State Teachers' Retirement System moved its $6 billion bond portfolio into what is believed to be the largest single bond index account.

The account with Manufacturers Hanover Investment Corp., New York, was established to consolidate assets while the fund prepares to bring the assets in house, said Lawrence Kurmel, chief executive officer of the $23 billion fund. He expects the transition to take place in eight months.

MHIC was chosen as manager of the temporary index account in part because the firm had been an active manager of about 90% of the fund's $6 billion in bond assets.

"They've adjusted their (active) style to accommodate our needs," Mr. Kurmel said of MHIC, which was managing only $650 million in bond index accounts for clients before the California Teachers' move. "They are responsive to the direction we are heading to."

The California fund is only one of several pension funds moving to bond indexing. *(See related story, page 3.)*

Mr. Kurmel said the fund's transition to passive from active management of the fixed-income portfolio is based on the need to contain management costs.

Kevin Hurley, director-quantitative fixed-income investment at MHIC, said the index fund will be weighted to give the portfolio a longer duration than the market to cover the fund's long-term liabilities, adding this is less constraining than a strict dedicated portfolio. He noted the fund has many active employees now, so its liabilities are more long term.

"I think they (California Teachers) concluded that their objective would be better served by indexing as opposed to having a group of managers on board whose objective was more aimed at beating the market than meeting liabilities," said Robert C. Peck Jr., a senior vice president at MHIC.

"If you are attempting to put together an investment plan designed to fund a specific system's liabilities, what is the relativity of beating the Shearson" Lehman Goverment/Corporate bond index?

Mr. Peck said MHIC was not surprised by its termination as an active manager. He said the firm's portfolio managers were aware of the fund's plans, and were helping the fund's investment officers prepare for the shift.

The latest phase of the fixed-income restructuring intensified in the past two months with the termination of active managers Manufacturers Hanover; Loomis, Sayles & Co. Inc., Boston; Miller, Anderson & Sherrerd, Bala Cynwyd, Pa.; Pacific Investment Management Co., Newport Beach, Calif.; Scudder, Stevens & Clark, New York; Stein Roe & Farnham, Chicago; and T. Rowe Price Associates, Baltimore.

California's investment officers stepped up efforts to consolidate the fixed-income assets just as New York City officials were completing a fixed-income restructuring similar in scope and objective.

During the course of a $17 billion restructuring completed in February, the five New York funds hired 17 managers to handle accounts in four different sectors — government, corporate, foreign and mortgage-backed securities *(Pensions & Investment Age*, Nov. 10).

The restructuring of the California Teachers' fixed-income component is part of an effort to bring the fund's portfolio into "modern times," Mr. Kurmel said.

He said that when he and Chief Investment Officer Thomas E. Flanigan joined the fund in 1985, they decided its mix of 57% fixed income, 24% equity, 12% cash and the remainder in real estate and other investments, was "archaic."

Since then, the fund has reduced its fixed-income position to 35%, including mortgages and mortgage-backed securities, by boosting its equity allocation to 55%, boosting real estate to 2.5% real estate and reducing cash to 7.5%.

The next phase, he said, is adding international equity to the portfolio, a move that likely will take place in the fall after a manager search. He estimated the initial allocation will be $300 million to $500 million.

# Pension *funds* face negative cash flow

By John Covaleski

Surging investment gains and the maturing of pension funds are presenting pension executives with a new investment problem — negative cash flow.

Although not widespread, negative cash flow — when a pension fund's outflow for benefit payments and operating costs exceeds its plan sponsor contributions and investment income — looms as potentially a more common occurrence for pension funds.

To cope, money managers and consultants say, pension executives may keep their fund assets as liquid as possible to have cash on hand to pay liabilities as they come due or establish bond portfolios whose maturities match liabilities.

Pension funds whose executives have confirmed they are in or nearing negative cash flow are those of Kraft Inc., Northbrook, Ill.; Armco Inc., Middletown, Ohio; Bethlehem Steel Co., Bethlehem, Pa.; and Bechtel Power Co., San Francisco.

Investment gains have increased the asset sizes of some pension funds to the point of reaching the full funding limitation, the level at which the Internal Revenue Service disallows additional contributions on a tax-exempt basis. That severely limits fund income.

At the same time, maturing pension funds often have more retirees than active workers. That increases benefits paid out.

*When employees of Kraft Inc. began taking lump-sum benefit payments, the pension plan neared negative cash flow.*

Corporate sell-offs or shutdowns of operating subsidiaries further increase the likelihood of negative cash flows.

In these subsidiaries, plan sponsors' pension funds are responsible for the liabilities of workers who retire from the subsidiaries, but the active employees generally are transferred into new pension plans.

The Labor Department reports a steadily increasing percentage of pension funds are hitting negative cash flow. Based on Form 5500 reports, 13% of the 201,000 plans filing for calendar year 1984 — the most recent data available — reported being in a negative cash flow, up from 11.1% of 199,000 plans in 1983 and 7.6% of the 191,000 plans reporting in 1982.

The pension funds reporting were both defined benefit and defined contribution plans. Their total assets were $628 billion in 1984; $606 billion in 1983; and $553 billion in 1982. Although more recent data are not available, pension fund observers say the trend of more funds entering negative cash flow is continuing.

"There's a real possibility more and more pension funds will go into negative cash flow. With the aging of America's work force and fewer younger people entering it, you're getting more retirees than active workers, and you have to play catch-up," warned Stuart J. Brahs, executive director of the Association of Private Pension and Welfare Plans, Washington.

Larry B. Wiltse, consulting actuary and director of forecasting and planning services at Buck Consultants Inc., New York, said, "Any plans that are well-funded to begin with and then experience serious declines in employment are susceptible" to negative cash flows. But, he said the amounts by which outflow exceed inflow gen-

*Continued on page 39*

## Directory questionnaires mailed

Questionnaires for *Pensions & Investment Age*'s annual directories of master trust banks and real estate asset managers are in the mail.

Master trust banks and real estate investment managers that have not received questionnaires by July 17 and want to be included in the directories should call Carol Wiley, directory coordinator, at (312) 649-5486.

The master trust directory will be published Sept. 7; deadline for return of the completed questionnaires is Aug. 10.

The real estate directory will be published Sept. 21; completed questionnaires must be returned by Aug. 1.

# Asset-liability studies flourish

By Trudy Ring

Asset-liability studies are enjoying popularity among pension funds, thanks in part to the accounting rules that put pension liabilities on corporate balance sheets.

Most consultants interviewed wouldn't divulge the number of asset-liability studies they have done. The numbers from the few that would indicate at least 60 plan sponsors did the studies in the past year, and at least 15 are in the process. The industry totals probably are much higher.

However, corporate sponsors that look at liabilities because of accounting standards may be doing it for the wrong reason, some plan executives and consultants said. The Financial Accounting Standards Board's new rules suggest a short-term, year-to-year outlook, while pension plans have long-term needs.

Still, many contend the liabilities merit a look with or without accounting considerations, simply because the purpose of the assets is to pay for the liabilities. Others, however, say asset-liability studies don't tell plan executives anything they don't already know, or that liability growth is irrelevant to a well-funded, well-invested plan.

In an asset-liability study, pension officers look not only at the optimal asset allocation for a defined benefit plan, but at how both the liabilities and the assets will grow under various economic circumstances. Many plans use consultants for these studies, while a few do the work in-house.

Use of asset-liability modeling has been growing steadily since the mid-1970s, but concern about FASB rules has caused growth to explode in the past year, said Irwin Tepper, president of Irwin Tepper Associates, Newton, Mass., a firm that provides such models.

Most of the users of asset-liability studies have been corporate plan sponsors; a few public plans, although not affected by FASB, have used them because of concerns about meeting liabilities or investing in alternative asset classes.

A pension fund sponsor that did asset-liability studies even before their recent growth in popularity was Owens-Illinois Inc., Toledo, Ohio, which has about $2 billion in pension assets. Ronald C. Boller, director-benefit finance, said his first discovery upon taking the job in 1980 was that asset-liability studies weren't being done, but should be.

"The only way to set asset mix is to simultaneously look at assets and liabilities," he said. "You're in business to pay the liabilities, and the assets are the only way to do it."

*Ronald C. Boller of Owens-Illinois used asset-liability studies before they were popular.*

Owens-Illinois did its first study in 1981, using a liability model from Winklevoss & Associates, Philadelphia. It was one of the few models available then.

Since 1981, Owens-Illinois has done an asset-liability study every year, looking at liabilities both on an ongoing and a termination basis. Findings resulted in larger allocations to international equities, which grew to 15% from 4%, and international bonds, to 3% from 1%, and the reduction and eventual elimination of defined benefit plan contributions.

"What (doing the studies) caused us to do is to see three or four years early the same thing everybody else is seeing now and get our contributions down dramatically," Mr. Boller said.

*Continued on page 38*

# *Curbs likely for leveraged ESOPs*

By Nicky Robertshaw

WASHINGTON — The House Ways and Means Committee is considering dramatically restricting the ability of companies to establish leveraged employee stock ownership plans.

The proposal, among a host of options prepared by the committee and the Joint Committee on Taxation to help Congress find $19.3 billion in new tax revenue, would eliminate ESOPs' ability to make loans to a party related to the plans.

On the same day the two committees suggested eliminating some tax benefits of ESOPs, the plans' principal proponent, former Sen. Russell B. Long, D-La., was urging the Senate Banking Committee to expand the use of ESOPs in corporate takeover situations.

But the ESOP community will have to rally to keep the plans' current tax preferences before being able to pursue expansions of their use.

"We are going to be organizing our members and be as aggressive as possible," said David Binns, managing director of the Employee Stock Ownership Association, Washington.

In a letter to members, the association said the House Ways and Means Committee could vote as early as July 20 to effectively repeal leveraged ESOPs and all special ESOP tax rules. "Although there is good reason to believe this incredibly drastic anti-ESOP proposal will not become law, the proposal does present a very real threat," the letter said.

Mr. Binns pointed out the changes are "not one of the high-ticket items" on the committee's list of 200 revenue-raising options, generating $100 million compared with the $19.3 billion the Ways and Means Committee hopes to raise for fiscal 1988. For that reason, it might not be as tempting to lawmakers. The likelihood the options actually will make it into the 1988 budget depends on a number of factors, including how likely the president is to stand by his promise to veto any tax increase and whether Congress could override that veto. Other factors include how politically damaging the changes might be to members of Congress, and whether the areas in question were addressed by the 1986 Tax Reform Act.

Leveraged ESOPs, which provide companies with a way to borrow money with attractive tax incentives, account for about 25% of all ESOPs and make up the fastest-growing segment of the industry, Mr. Binns said. They are seen as affecting banks and companies but not stirring the voters' ire as strongly as taxing health benefits and other considerations, according to a congressional source.

The proposal would severely disrupt use of leveraged ESOPs by eliminating the plans' automatic exclusion from the Employee Retirement Income Security Act's rules against establishing loans between an employee benefit plan and a party connected with the plan.

Pointing out similar exclusions could be obtained on a case-by-case basis from the Department of Labor, one observer believes instead of eliminating the ESOP ex-

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# Indexed assets top $187 billion

By Hank Berkowitz

Impressive growth of fixed-income and international equity index funds boosted the overall growth of indexed assets for U.S. pension funds to $187.96 billion, up 24% from $151.58 billion for the six months ended May 31.

After accounting for market appreciation, assets in domestic stock index funds grew a net 5.1%; those in bond index funds grew a net 49.5%; and those in international index funds grew a net 43.7%, according to a *Pensions & Investment Age* poll of 72 money managers known to engage in at least one form of indexing.

Wells Fargo Investment Advisors, San Francisco, easily remained the largest index fund manager with $62.3 billion in total indexed assets, up from $55.3 billion as of Nov. 30, when *P&I Age* last surveyed U.S. index fund managers (*P&I Age*, Jan. 12). Wells Fargo's nearest competitor is Bankers Trust Co. — Investment Management Group, New York, which had $28.5 billion in indexed assets as of May 31.

Rounding out the top five are Mellon Capital Management, San Francisco, $20 billion; State Street Bank & Trust Co., Boston, $15.2 billion; and American National Bank & Trust Co. of Chicago, $9.6 billion.

Of the total indexed assets, $124.07 billion, or 66%, tracked domestic equity indexes. That figure is up 23.3% from $100.59 billion Nov. 30, a gain that resulted primarily from an 18.2% increase in the Standard & Poor's 500 stock index in the six months.

However, the 5.1% net gain in stock indexing surprised many industry observers who expected stock indexing to bottom out after registering a net gain of less than 1% in the previous six-month period.

"Particularly when the market is meandering sideways, rather than up and down, it's tough for anyone to beat the index," Chuck Clinton, vice president-asset management services, Hartford Life Insurance Cos., Hartford, Conn., said explaining the gain. Hartford has $42 million in indexed assets.

While traditional S&P 500 index funds claim $99.9 billion, or more than 80%, of stock index assets, other indexes have gained in popularity.

More than $10.2 billion, or 8.2%

*Continued on page 41*

## Top index fund managers

($ millions as of 5/30/87)

| | Total indexed | Domestic equity | Domestic fixed | International |
|---|---|---|---|---|
| Wells Fargo | 62,353 | 37,661 | 10,916 | 606 |
| Bankers Trust | 28,500 | 24,700 | 3,500 | 300 |
| Mellon Capital | 20,000 | 17,000 | 3,000 | 0 |
| State Street Bank | 15,180 | 9,600 | 1,720 | 3,860 |
| American Nat'l Bank* | 9,550 | 8,250 | 1,200 | 100 |
| Manufacturers Hanover Trust | 6,706 | 106 | 6,600 | 0 |
| Chase Investors | 6,418 | 5,500 | 501 | 0 |
| Dimensional Fund Advisors | 5,153 | 4,076 | 964 | 113 |
| Mellon Bond Associates | 4,200 | 0 | 4,200 | 0 |
| Alliance Capital | 4,110 | 3,800 | 60 | 250 |
| Manufacturers Nat'l-Detroit | 3,409 | 3,100 | 9 | 300 |
| Northern Trust | 2,688 | 1,326 | 1,336 | 25 |
| T. Rowe Price | 2,249 | 249 | 1,950 | 0 |
| The Boston Co. | 2,046 | 1,574 | 340 | 132 |
| Prudential Asset | 1,910 | 895 | 623 | 392 |
| Lehman Management | 1,900 | 0 | 1,900 | 0 |
| Putnam Advisory | 1,600 | 0 | 1,600 | 0 |
| Lincoln Capital | 1,500 | 0 | 1,500 | 0 |
| The Vanguard Group | 1,186 | 1,160 | 26 | 0 |
| Harris Trust | 800 | 500 | 300 | 0 |
| Citicorp | 660 | 660 | 0 | 0 |
| Axe Core Investors | 500 | 375 | 0 | 125 |
| RepublicBank Dallas | 475 | 475 | 0 | 0 |
| [illegible]B Capital | 467 | 467 | 0 | 0 |
| Tenneco Fina[illegible] | 457 | 457 | 0 | 0 |
| Aetna Life & Casualty | 450 | 250 | 200 | 0 |
| Centerre Trust | 316 | 316 | 0 | 0 |
| Western Asset | 300 | 0 | 300 | 0 |
| Fiduciary Trust | 270 | 0 | 0 | 270 |
| BA Investment | 267 | 158 | 109 | 0 |
| Metropolitan Life** | 220 | 220 | 0 | 0 |
| Travelers Investment | 218 | 166 | 0 | 52 |
| First Wisconsin Trust | 205 | 30 | 175 | 0 |
| First Interstate/California*** | 203 | 162 | 41 | 0 |
| MacKay-Shields Financial | 180 | 25 | 155 | 0 |
| Nat'l Bank of Detroit | 172 | 172 | 0 | 0 |
| Favia Hill | 101 | 0 | 101 | 0 |
| The Griffin Group | 95 | 0 | 95 | 0 |
| County Investment | 75 | 75 | 0 | 0 |
| Irving Trust | 70 | 70 | 0 | 0 |
| SeaFirst Bank | 70 | 0 | 70 | 0 |
| Total | 187,229 | 123,575 | 43,491 | 6,525 |

*As of 3/1/87

**$124 million in short-term timed index fund

***As of 11/30/86

*The Toronto Dominion Bank Tower in the Pacific Center of Vancouver, British Columbia, is one of the properties JMB Realty Corp. would acquire through the purchase of Cadillac Fairview Corp.*

# JMB raising more cash to buy Cadillac Fairview

By John Covaleski

CHICAGO — In an 11th-hour twist, JMB Realty Corp. likely will be forced to raise $460 million more than planned for its acquisition of Cadillac Fairview Corp., the Toronto real estate developer.

The $1.96 billion deal (based on the 90-day forward currency exchange rate between Canada and the United States) is considered the largest single real estate transaction ever, and will be financed mainly by tax-exempt institutions investing in a private placement.

Although JMB initially expected to raise $1.5 billion of the purchase price, the stakes will be raised to the entire $1.96 billion, unless negotiators break through an impasse in plans to sell $450 million worth of Cadillac Fairview assets to an investment group consisting of Copley Real Estate Advisors, Boston, and Michael Prentiss, president of Cadillac Fairview's urban development unit in Dallas.

In addition, terms of the deal have been changed, with JMB now required to finance the acquisition entirely with cash instead of cash and some preferred stock. The change to all cash has increased the amount of cash JMB has to raise by $10 million, but the per-share sale price was lowered to $25.53 from $26.28, and JMB's deadline for raising the money was extended two months to Oct. 31.

(A $10 million discrepancy exists between the size of the total transaction — $1.96 billion — and the two components — $450 million from the Copley-Prentiss group and $1.5 billion from the private placement. JMB officials said the $10 million difference is due to rounding.)

Cadillac Fairview officials signed a definitive sales agreement with JMB last week, in which JMB will pay cash for 78 million shares outstanding. Previously, JMB was to have acquired up to 35% of Cadillac Fairview shares, which included all those owned by the Bronfman family, in exchange for two series of preferred stock in the new company.

Under the new terms, the sale price decreased $60 million.

The price change and the switch to an all-cash deal were made because of proposed changes in Canadian income tax law, said Bernhard I. Ghert, president and chief executive officer of Cadillac Fairview. But sources said the price was reduced because Copley executives complained about the pricing of the Cadillac Fairview assets the Copley group had been planning to acquire.

By far the most critical new variable of the transaction is whether Copley will buy the Cadillac Fairview assets, the sale of which would have generated liquid assets so JMB would have had to come up with less cash.

Differences about pricing caused a "serious impasse" in negotiations, said Peter Harrington, second vice president of public relations for The New England Mutual Life Insurance Co., Boston, Copley's parent organization. Mr. Harrington added there is only a "slight" chance negotia-

*Continued on page 40*

# Investment tax resurfaces

By Nicky Robertshaw

WASHINGTON — A proposal to impose a 5% excise tax on investment income of qualified pension funds and other tax-exempt organizations has resurfaced.

The House Ways and Means Committee and the Joint Committee on Taxation have latched onto the idea, listing it among 200-odd revenue-raising options to be considered in raising $19.3 billion for the fiscal 1988 federal budget. A recent Congressional Budget Office study suggested imposing such a tax on pension funds only (*Pensions & Investment Age*, June 1).

The option proposes imposing a 5% tax on net income, which is defined as gross investment income including dividends and interest plus net capital gain minus the expenses of earning the income. Unrealized gains would not be taxed under the proposal.

The excise tax is attractive because it would raise $3.5 billion during fiscal 1988 and $15.1 billion during the next three years.

But placing a tax on this income could have an enormous effect on investment decisions, as pension fund money managers move away from interest and dividend-producing investments toward equities without dividends, which present a higher risk, several observers said.

"We're talking about a massive base of assets, and the extent to which this could influence investments is a serious question that I don't think has been answered," said Harold Dankner, a partner at Coopers & Lybrand, Washington.

Other key options affecting retirement plans provided by the joint tax committee include tightening maximum funding rules for pension funds and effectively repealing the use of leveraged employee stock ownership plans, as well as imposing several other restrictions on ESOPs (*see related story, page 2*).

Notably absent from the list of revenue-raising options is the repeal of 401(k) salary reduction plans, which would have generated $21.8 billion between fiscal 1988 and 1991, said Gerald L. Uslander, a principal in the Louisville, Ky., office of William M. Mercer-Meidinger-Hansen Inc.

This possibility, as well as a proposed freeze on maximum contributions to defined benefit and defined contribution plans, had been on a preliminary version of the list prepared by the joint taxation committee in lat

*Continued on*

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# U.S. bank subsidiary gets Japanese funds

**By Marlene Givant**

TOKYO — Japan Bankers Trust Co. has been awarded $14 million of Japan's $380 billion welfare pension plan funds — the Japanese equivalent of Social Security — making it the first foreign trust bank to make a splash in that enormous pool of assets.

It also gives Japan Bankers Trust an edge over some 24 foreign managers in Tokyo trying to break into Japan's institutional and investment trust market.

Japan Bankers, a wholly owned trust banking arm of Bankers Trust New York Corp., joins eight Japanese trust banks selected last year to manage part of the welfare pension plan assets, which previously had been managed by the Ministry of Finance.

The nine trust banks have received $3.4 billion total this year.

Japan Bankers Trust's account will be invested within the asset allocation guidelines set by the Ministry of Finance with an emphasis on equity and international investments. The assets may be invested in Euroyen bonds, but only 30% may be in non-yen investments.

Japan Bankers Trust plans to invest in specialty areas in which it has expertise, such as index funds and futures and options, according to Dennis H. Ferro, president of Japan Bankers Trust.

Bankers Trust Co., New York — the principal subsidiary of Bankers Trust New York Corp. — was one of nine foreign banks selected by the Ministry of Finance in June 1985 to set up a trust bank subsidiary in Japan. Japan Bankers Trust, which was established in October 1985, reported $2.2 billion under management as of March 31. ■

## Corrections & clarifications

• In a June 15 article on Alan Greenspan's appointment to the Federal Reserve Board, a reference by **John Conlin**, marketing director of **SBC Portfolio Management International Inc.**, New York, to high Japanese earnings multiples should have said multiples exceed 200 times earnings in such companies as Nippon Telephone & Telegraph.

• **Wells Fargo Investment Advisors**, San Francisco, was omitted inadvertently from the June 29 Directory of the 50 Largest International Managers. With $647 million in international equities under management as of March 31, Wells Fargo would have been 24th among managers ranked by tax-exempt assets in international and global accounts, and 18th among managers ranked only by international accounts.

Assets under management by the firm as of March 31 totaled $67.2 billion, of which $66.9 billion were tax-exempt.

All international equities are indexed to the Morgan Stanley Capital International Europe Australia Far East stock index, but other investment strategies are available.

Fred Grauer, president, is chief investment officer. Bob Haber, client service coordinator, is client contact.

• **Beutel, Goodman International PLC, London,** was omitted inadvertently from the June 29 listing of the 50 largest international and global money managers. Reporting $213 million in foreign investments for U.S. institutional tax-exempt clients as of March 31, the firm would have ranked 44th.

Of that total, $202 million was invested in global bonds, with the remainder in cash. The firm would have ranked 10th in the chart of managers ranked by tax-exempt assets in global accounts.

Chief investment officers are Olaf Rogge and Peter Mellor, principals. The client contact is Daniel Freelund, Fairfield Capital Associates, Westport, Conn.; (203) 254-1215.

The investment consultants directory will be published Nov. 16.

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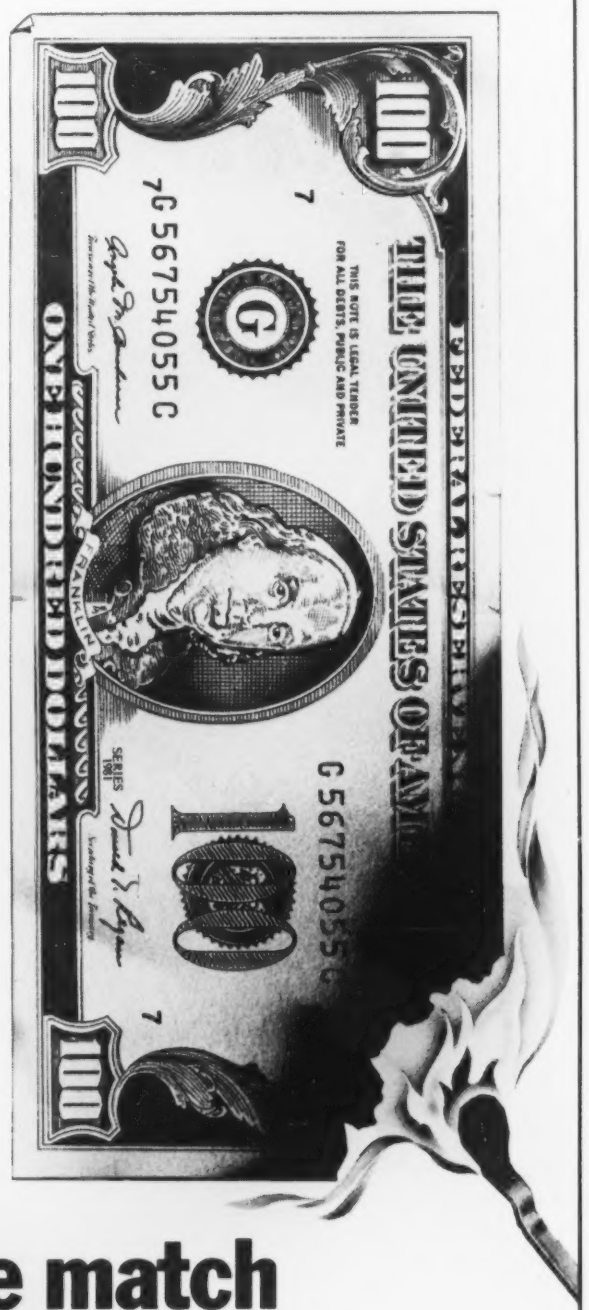


**A custom interest rate match strikes where it hurts.**

# Corporate Finance

## Foreign currency warrants blast off

By Brad Rudin

NEW YORK — A flurry of deals inspired by Bear, Stearns & Co. Inc.'s currency exchange warrants hit the market last month as issuers seized the opportunity to achieve all-in-cost savings that exceeded 20 basis points.

Among the issuers were General Electric Credit Corp., Stamford, Conn.; Ford Motor Credit Co., Dearborn, Mich.; Emerson Electric Co., St. Louis; Citicorp, New York; and the Student Loan Marketing Association, Washington. More deals — by General Mills Inc., Minneapolis, and Xerox Credit Corp., Stamford, Conn. — are in the works.

"They appear to be the hottest thing on the block," said Lisa K. Polsky, a Citicorp Investment Bank vice president who heads the options and new products department.

Citicorp arranged the currency hedge in several of last month's foreign currency warrant deals.

In these deals, issuers sell warrants that will be valueless unless the dollar appreciates against the yen or the deutsche mark during the five-year life of the warrant. A hedged position protects the issuer from currency risk.

Issuers offer notes and warrants simultaneously, but not as a unit.

The warrants, which are being traded on the American Stock Exchange, are regulated by the Securities and Exchange Commission.

Combining the net proceeds of the warrants and the notes produces a lower all-in-cost of borrowing, said a Bear, Stearns official who asked to remain unidentified.

Yet the cost of hedging against currency risk combined with the legal and investment banking fees for this new product results in "significant costs all the way around — this is not found money," the Bear, Stearns official said.

"There's obviously a little bit of learning that has to take place when somebody does the first one," said Robert G. Scott, a managing director at Morgan Stanley & Co. Inc. "But once they're over that hump, the costs will decrease a little bit."

Artur Walther, partner in charge of capital markets at Goldman, Sachs & Co., predicted the product would survive its infancy.

"It probably will slow down a little because there have been quite a number of issues, but I think we'll continuously see transactions in the future," he said.

Bear, Stearns started the ball rolling June 10 with a notes and yen-linked warrants issue for General Electric Credit. According to a Bear, Stearns statement, it was the first time this type of foreign currency warrant was sold in the United States.

The firm followed through June 18 with an offering of yen-linked currency exchange warrants for Ford Motor Credit and June 24 with a deutsche mark-linked warrants issue for General Electric Credit that was co-managed by Kidder, Peabody & Co. The next day Emerson Electric made its offering of notes and deutsche mark-linked warrants in a deal managed by Bear, Stearns and co-managed by Prudential-Bache Capital Funding.

By the end of June, Morgan Stanley, Goldman and Salomon Brothers Inc. had completed or planned similar deals for Citicorp, Sallie Mae, Xerox Credit and General Mills.

Issuers hedge their positions by buying over-the-counter options from a money center bank. The option gives the holder the right to buy or sell a stated amount of foreign currency for a previously established price until the option expires. The issuer sells the warrants at a spread over the purchase price of the option.

By purchasing the option, the issuer acquires the right to sell foreign currency in exchange for dollars — a move that covers the issuer's obligation to pay the warrant holders.

In the June 10 General Electric Credit deal, the warrant holders get paid only if the dollar reaches a value of more than 149.70 yen before June 15, 1992. As the dollar appreciates, the cash settlement value of the warrants increases. The dollar has been trading re-

*Continued on page 20*

## Underwriting volume up 7%

By Mercl Baker

NEW YORK — First-half domestic underwriting volume climbed 7% from that generated during the first half of 1986, with Salomon Brothers Inc. continuing to lead underwriters with 15.4% of the total raised by issuers.

The six-month numbers were dampened by a dropoff in domestic underwriting activity in the second quarter when an increase in interest rates and jittery bond prices sidelined issuers of new securities.

Corporations raised $153.9 billion during the first six months of the year, compared with $143.8 billion in the comparable period last year, according to IDD Information Services, New York.

Most came in the first quarter when $87.7 billion in new securities offerings came to market. Second-quarter volume fell almost a third to $66.2 billion.

Despite the shaky interest rate environment, U.S. issuers, more than ever, preferred to raise funds at home. These issuers raised $183.3 billion worldwide during the first half, down slightly from the $185.8 billion raised worldwide in the same period last year, IDD reported. But only $12.5 billion constituted offerings issued overseas — a 43.4% drop from the $22.1 billion raised overseas by U.S. issuers in the first half of 1986.

Domestically, Salomon Brothers garnered the greatest market share for overall underwriting volume, although other firms continue to chip at its lead.

Salomon acted as lead manager on $23.7 billion of total domestic underwritings, for a 15.4% market share. First Boston Corp., the closest competitor managed $20.3 billion for a 13.2% share. For the same period last year, Salomon was credited with 20% of domestic underwriting volume and First Boston, 14%.

Merrill Lynch Capital Markets Inc. moved to third from sixth place for the first-half rankings. It held the lead manager role on $13.8 billion of total volume, for a 12.2% market share. Goldman, Sachs & Co. followed with $17 billion or 11.1% according to IDD. Morgan Stanley & Co. Inc. was fifth, managing $10.1 billion or 10.5%.

Drexel Burnham Lambert Inc., which is battling stiffer competition in junk bond and merger financings amid investigations into its business operations, slipped to sixth for the first half from third for the 1986 period. The firm managed $11.3 billion to garner a 7.3% market share. For the 1986 period it managed $18 billion for a 12.3% market share.

Breakdowns of domestic underwriting numbers reveal only modest increases in tech-

Continued on page 20

### New issues of corporate securities

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 6/4 | Marine Midland 1987-1 CARS Trust | 600.08 | Cert. Rec. | 99.93% | .400 | OTC | Salomon/Marine Midland Securities |
| 6/11 | CFC-1 Grantor Trust | 515.91 | Cert. Rec. | 99.60% | .402 | OTC | First Boston/Salomon |
| 6/12 | General Motors Acceptance Corp. | 300.00 | Notes | 99.70% | .451 | OTC | Salomon/First Boston/Merrill Lynch/Morgan Stanley |
| 6/9 | Coll. Mtg. Obligation Trust 32 | 275.10 | GNMA CMO | 99.22% | .504 | OTC | Salomon Brothers |
| 6/10 | The Chase Manhattan Corp. | 275.00 | Sub. Notes | 99.75% | .677 | OTC | Salomon Brothers |
| 6/12 | Hoechst Celanese Corp. | 250.00 | Notes | 100.00% | .675 | OTC | First Boston/Dllon, Read/Goldman, Sachs/Lazard Freres |
| 6/11 | Marriott Corp. | 250.00 | Deb. | 99.83% | .626 | OTC | Merrill Lynch |
| 6/3 | BP North America Inc. | 250.00 | GTD Notes | 99.20% | .655 | OTC | Salomon/Goldman, Sachs |
| 6/2 | Georgia Power Co. | 250.00 | First Mtg. | 99.50% | .781 | NY | PBS/FBC/DAIWA/KP/SAL/SLB/ALEX-BROWN* |
| 6/1 | General Motors Acceptance Corp. | 250.00 | Notes | 99.73% | .351 | OTC | Morgan Stanley/First Boston/Merrill Lynch/Salomon |
| | | | | | | | |
| 6/11 | Compania Telefonica Nacional/Espana | 334.00 | | $20.88 | 4.98 | MAD (NY) | Goldman, Sachs/Merrill Lynch/Salomon |
| 6/12 | Armco Inc. | 153.60 | | $10.00 | 4.30 | NY | First Boston/Salomon |
| 6/3 | Wellman Inc. | 80.00 | | $20.50 | 6.34 | IPO | Shearson Lehman/Bear, Stearns |
| 6/2 | Calson Carbon Corp. | 77.00 | | $22.00 | 6.23 | IPO | Shearson Lehman/First Boston |
| 6/2 | Autodesk Inc. | 63.40 | | $24.00 | 4.00 | OTC | L.F. Rothschild, Unterberg, Towbin |
| 6/12 | Novell Inc. | 63.00 | | $21.00 | 4.52 | OTC | Alex. Brown/Morgan Stanley |
| 6/2 | American Barrick Resources Corp. | 55.50 | | $37.00 | 4.00 | NY/TOR | Merrill Lynch/Goldman, Sachs |
| 6/3 | Vista Chemical Co. | 54.80 | | $27.38 | 3.98 | NY | E.F. Hutton/Prudential-Bache |
| 6/12 | Forest Laboratories Inc. | 50.00 | | $27.75 | 3.75 | AM | Shearson Lehman/Donaldson, Lufkin/E.F.Hutton/Dean Witter |
| 6/4 | C.H. Beazer (Holdings) PLC | 46.10 | | $15.38 | 5.98 | LON (OTC) | Shearson Lehman/ Robinson-Humphrey |

Source: Securities Data Co., New York

Coll. Rec.: Collateral of receivables
GNMA CMO: GNMA-issued collateralized mortgage obligations
GTD Notes: Guaranteed notes
First Mtg.: First mortgage bonds
*Prudential-Bache/First Boston/Dillon/Kidder, Peabody/Salomon Brothers/Allen

NY: New York Stock Exchange
OTC: Over the Counter
IPO: Initial Public Offering
AM: American Stock Exchange
LON: London Stock Exchange
TOR: Toronto Stock Exchange
MAD: Madrid Stock Exchange

# Volume up . . .

*Continued from page 17*

vidual market volumes almost across the board. One exception was in the mortgage-backed securities arena, where six-month volume shot up 130% from the 1986 period.

Mortgage-related offerings totaled $48.5 billion for the first half, compared with $21.1 billion for the 1986 period.

Much of that activity came in the first quarter, when volume reached $31.1 billion. The interest rate surge of the second quarter slowed issuing activity and volume shrank to $17.4 billion.

Salomon and First Boston, garnering 21.2% and 16.8% of first-half mortgage-related volume, continued to dominate that area, but by a much smaller margin. Salomon and First Boston were lead managers for 32.9% and 28.9%, respectively, of the total for the 1986 period.

Merrill Lynch placed third in the mortgage-related arena, garnering 14%. Its standing represented a five-percentage-point increase from the 1986 period. But it came at a high price — the firm reported a $250 million trading loss in mortgage securities in the second quarter.

Also increasing market share were Goldman and Kidder, Peabody & Co. Inc., which placed fourth and fifth for the first half. IDD credited 8.3% of total volume to Goldman, up from 2.3% for the same period in 1986. Kidder's market share climbed to 7.2% from 4.7%.

While the mortgage area witnessed a tumultuous first half, straight and convertible debt were more stable. Straight-debt volume climbed to $113 billion, up 6% from $106.8 billion raised domestically in the first half of 1986. Convertible debt issuance was up 12.7%, with issuers raising $8 billion vs. $7.1 billion.

Salomon and First Boston held their respective first- and second-place standings in straight-debt underwriting. Salomon captured 19.4% of the market, and First Boston, 15.5%. Following the two firms were Merrill Lynch, with a 12.9% market share; Morgan Stanley, with 11.3%; and Goldman, Sachs, with 10.6%.

An aggressive first half in convertible-debt underwritings won Smith Barney, Harris Upham & Co. Inc. the No. 1 spot in that market segment. The firm, which ranked 10th for the 1986 period, managed nine deals totaling $1.2 billion for a 15.1% market share. Goldman followed with 12.4% of the total, while Morgan Stanley placed third with 12%.

Drexel, which held the top spot for the comparable period last year, fell to fourth with a 9.8% market share. First Boston was fifth with 6.7% of the total.

Common stock volume, like that of the domestic debt markets, remained relatively stable in the first half. Volume totaled $25 billion, up only 7.3% from the $23.3 billion issued domestically in the first six months of 1986.

Goldman led underwriters in the common stock rankings, managing 13.1% of the total. Merrill and Shearson Lehman Brothers Inc. followed, with 11.7% and 9.3% respectively.

However, two regional firms — Alex. Brown & Sons Inc., Baltimore, and Wheat, First Securities Inc., Richmond, Va. — rose dramatically to take fourth and fifth place in the common stock rankings.

Alex. Brown, which ranked 12th in the first half of 1986, placed 24 stock offerings, including 14 initial public offerings, totaling $2.2 billion or 8.6% of total common equity volume.

Wheat, First Securities, which ranked 30th last year, achieved its 7.8% market share with two IPOs totaling just less than $2 billion. It was lead manager for the $850 million share offering for MFS Government Markets Income Trust and the $1.1 billion offering for MFS Multimarket Income Trust.

Among other first-half underwriting highlights:

- Salomon Brothers led in worldwide underwritings by U.S. issuers only, with 15.1% of the $163 billion raised. First Boston was second with 13%, followed by Merrill Lynch, 10.9%; Morgan Stanley, 10.3%; and Goldman, Sachs, 10.1%.
- Worldwide underwriting volume (excluding international equity offerings) by both U.S. and foreign issuers reached $258.3 billion for the six months, only slightly more than the $253.4 billion raised by all issuers during the period last year. Salomon and First Boston retained first and second, with respective market shares of 10.4% and 9.7%. Merrill Lynch moved into third place with 7.6%, and Morgan Stanley was fourth with 7.4%.
- Volume for IPOs increased 68.2% to $14.8 billion in the first half. IPO volume total $8.8 billion during the same period last year. Goldman, Sachs, with 14.5% of the IPO total, jumped to first place from 14th last year. The firm was lead manager in the $1.5 billion Consolidated Rail Corp. stock offering, launched at the end of March.

Ranking second was Merrill Lynch, with a 13.5% market share. Wheat, First and Alex. Brown climbed to third and fourth place, respectively, with 13.2% and 12.4%.

- Junk-bond volume declined 16% during the first half to $13.1 billion from the $15.6 billion raised during the same period last year. Drexel managed 41.6% of total volume, down from the 60.2% share it held for the 1986 period.
- Issuers raised almost $7.8 billion of preferred stock, up 17% from the $6.6 billion raised during the first half of 1986. Of the total, $4.6 billion represented straight preferred offerings and $3.1 billion, convertible preferred offerings.

Morgan Stanley led in the overall preferred category, with 16.1%. Merrill Lynch ranked second with 14.4% and Shearson Lehman, third with 11.5%.

- A breakdown by issuer type showed only financial companies increasing funds raised during the six months. These companies issued $88.5 billion of securities, up 41% from the $62.8 billion raised during the first half of last year. Financing volume from utilities tumbled the most, 44.4%, to $10.3 billion.

Volume among industrial and agency issuers declined 11.7% and 11.5%, respectively. Industrial financing ended the first half at $52.7 billion, compared with $59.7 billion in the 1986, and agencies raised $2.3 billion vs. $2.6 billion. ■

## All Issues

### U.S. market

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Salomon Brothers | 23,737 | 151 |
| 2. | First Boston | 20,281.4 | 117 |
| 3. | Merrill Lynch | 18,797.9 | 133 |
| 4. | Goldman, Sachs | 17,016.1 | 121 |
| 5. | Morgan Stanley | 16,085.8 | 112 |
| 6. | Drexel Burnham | 11,246.1 | 100 |
| 7. | Shearson Lehman | 10,468.9 | 96 |
| 8. | Kidder, Peabody | 7,031.4 | 56 |
| 9. | Bear, Stearns | 3,482 | 35 |
| 10. | Smith Barney | 2,772.6 | 32 |
| 11. | Prudential-Bache | 2,714.5 | 29 |
| 12. | Alex. Brown | 2,616.9 | 30 |
| 13. | Dillon, Read | 2,536.3 | 22 |
| 14. | Wheat, First | 2,014.3 | 5 |
| 15. | Dean Witter | 1,898.2 | 21 |

### U.S. Issuers (worldwide)*

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Salomon Brothers | 24,600.2 | 155 |
| 2. | First Boston | 21,244.5 | 124 |
| 3. | Merrill Lynch | 17,838 | 122 |
| 4. | Morgan Stanley | 16,863 | 114 |
| 5. | Goldman, Sachs | 16,524.4 | 120 |
| 6. | Drexel Burnham | 11,299.6 | 99 |
| 7. | Shearson Lehman | 11,052.6 | 101 |
| 8. | Kidder, Peabody | 6,957.5 | 57 |
| 9. | Bear, Stearns | 3,468.3 | 34 |
| 10. | Prudential-Bache | 2,841.4 | 30 |
| 11. | Smith Barney | 2,772.6 | 32 |
| 12. | Alex. Brown | 2,616.9 | 30 |
| 13. | Dillon, Read | 2,536.3 | 22 |
| 14. | Wheat, First | 2,014.3 | 5 |
| 15. | Dean Witter | 1,898.2 | 21 |

### Worldwide**

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Salomon Brothers | 26,947.2 | 177 |
| 2. | First Boston | 24,952.4 | 161 |
| 3. | Merrill Lynch | 19,689.7 | 143 |
| 4. | Morgan Stanley | 18,991 | 137 |
| 5. | Goldman, Sachs | 18,211.1 | 133 |
| 6. | Nomura | 12,598.5 | 85 |
| 7. | Shearson Lehman | 11,755.1 | 110 |
| 8. | Drexel Burnham | 11,473.7 | 102 |
| 9. | Kidder, Peabody | 7,181.4 | 59 |
| 10. | Daiwa Securities | 6,653.7 | 53 |
| 11. | Yamaichi | 5,302.2 | 51 |
| 12. | Union Bank/Switz. | 5,113.1 | 57 |
| 13. | Deutsche Bank | 4,835.3 | 45 |
| 14. | Nikko Securities | 4,375.5 | 36 |
| 15. | Swiss Bank | 4,082.9 | 50 |

## Bond Issues

### Straight debt

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Salomon Brothers | 21,914.2 | 125 |
| 2. | First Boston | 17,585.6 | 90 |
| 3. | Merrill Lynch | 14,541.7 | 77 |
| 4. | Morgan Stanley | 12,784.1 | 77 |
| 5. | Goldman, Sachs | 11,965 | 74 |
| 6. | Drexel Burnham | 8,175.8 | 52 |
| 7. | Shearson Lehman | 6,829.1 | 51 |
| 8. | Kidder, Peabody | 4,943.7 | 28 |
| 9. | Bear, Stearns | 2,694.4 | 21 |
| 10. | Prudential-Bache | 2,333.7 | 18 |
| 11. | Dillon, Read | 2,194.5 | 15 |
| 12. | Dean Witter | 1,131.8 | 6 |
| 13. | Smith Barney | 1,092.2 | 11 |
| 14. | L.F. Rothschild | 854.9 | 8 |
| 15. | E.F. Hutton | 762.6 | 8 |

### Convertible debt

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Smith Barney | 1,200 | 9 |
| 2. | Goldman, Sachs | 985 | 11 |
| 3. | Morgan Stanley | 960 | 11 |
| 4. | Drexel Burnham | 780 | 16 |
| 5. | First Boston | 535 | 3 |
| 6. | Lazard Freres | 465 | 6 |
| 7. | Alex. Brown | 465 | 6 |
| 8. | Salomon Brothers | 435 | 3 |
| 9. | Shearson Lehman | 430 | 6 |
| 10. | Kidder, Peabody | 417 | 6 |
| 11. | Bear, Stearns | 225 | 5 |
| 12. | Merrill Lynch | 210 | 3 |
| 13. | Dean Witter | 115 | 3 |
| 14. | Dillon, Read | 100 | 1 |
| 15. | PaineWebber | 75 | 1 |

### Junk bonds

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Drexel Burnham | 5,430.9 | 41 |
| 2. | Morgan Stanley | 1,873.3 | 9 |
| 3. | First Boston | 1,806.2 | 8 |
| 4. | Merrill Lynch | 1,215.7 | 10 |
| 5. | Salomon Brothers | 703.1 | 8 |
| 6. | Donaldson, Lufkin | 492.7 | 3 |
| 7. | Dean Witter | 321.5 | 2 |
| 8. | Goldman, Sachs | 300 | 1 |
| 9. | Kidder, Peabody | 253.9 | 3 |
| 10. | Smith Barney | 248.7 | 1 |
| 11. | Bear, Stearns | 104.9 | 2 |
| 12. | PaineWebber | 100 | 1 |
| 13. | L.F. Rothschild | 85 | 1 |
| 14. | Shearson Lehman | 50 | 1 |
| 15. | E.F. Hutton | 32.2 | 1 |

## Stock Issues

### Common stock

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Goldman, Sachs | 3,281.1 | 23 |
| 2. | Merrill Lynch | 2,927 | 36 |
| 3. | Shearson Lehman | 2,321.8 | 29 |
| 4. | Alex. Brown | 2,151.9 | 24 |
| 5. | Wheat, First | 1,950 | 2 |
| 6. | Drexel Burnham | 1,712.4 | 22 |
| 7. | First Boston | 1,355.6 | 15 |
| 8. | Morgan Stanley | 1,097 | 14 |
| 9. | Kidder, Peabody | 1,088.2 | 17 |
| 10. | Salomon Brothers | 912.8 | 15 |
| 11. | Wertheim Schroder | 554.8 | 4 |
| 12. | Smith Barney | 480.3 | 12 |
| 13. | Dean Witter | 462.4 | 10 |
| 14. | E.F. Hutton | 429.6 | 9 |
| 15. | Lazard Freres | 362.9 | 5 |

### Straight preferred

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Merrill Lynch | 853 | 14 |
| 2. | Goldman, Sachs | 650 | 11 |
| 3. | First Boston | 551.5 | 6 |
| 4. | Morgan Stanley | 519.7 | 6 |
| 5. | Salomon Brothers | 475 | 8 |
| 6. | Shearson Lehman | 431.1 | 5 |
| 7. | Drexel Burnham | 375 | 6 |
| 8. | Bear, Stearns | 280 | 4 |
| 9. | Oppenheimer | 270 | 2 |
| 10. | Kidder, Peabody | 115 | 2 |
| 11. | PaineWebber | 61.4 | 2 |
| 12. | E.F. Hutton | 50 | 1 |
| 13. | Interstate Securities | 10 | 1 |
| 14. | B.C. Christopher | 3.1 | 1 |

### Convertible preferred

| | Firm | $ mils. | Issues |
|---|---|---|---|
| 1. | Morgan Stanley | 725 | 4 |
| 2. | Kidder, Peabody | 467.5 | 3 |
| 3. | Shearson Lehman | 456.8 | 5 |
| 4. | Merrill Lynch | 266.2 | 3 |
| 5. | First Boston | 253.7 | 3 |
| 6. | Drexel Burnham | 203 | 4 |
| 7. | Dean Witter | 189 | 2 |
| 8. | Donaldson, Lufkin | 150 | 1 |
| 9. | Goldman, Sachs | 135 | 2 |
| 10. | PaineWebber | 125 | 2 |
| 11. | Eastlake Securities | 60 | 1 |
| 12. | Bear, Stearns | 57.5 | 2 |
| 13. | Butcher & Singer | 12 | 1 |
| 14. | L.C. Wegard | 6 | 1 |

*Excludes international equities
**All issuers, excludes international equities

Source: IDD Information Services, New York

# Indexed . . .

*Continued from page 3*

of the stock index assets, tracked the Wilshire 5000, compared with $3.5 billion six months ago.

The remainder of the domestic stock side was made up of various enhanced and customized indexes, including the Russell 1000, the Russell 2000 and a South Africa-free index that attracted about $150 million is assets.

The Financial Accounting Standards Board Statement 87, which requires companies to report pension liabilities on the balance sheet, has enhanced the attractiveness of index funds, according to several money managers.

"FASB rules are going to offer passive money managers big opportunities to insure the surplus," said Luke Mazur, vice president in trust department of strategic investment services at The Northern Trust Co., Chicago.

"With FASB 87 there's a greater move to offset the (accumulated benefit obligation) and (projected benefit obligation) areas of their liabilities," said Brian Hersey, product manager at Aetna Life Insurance Co., Hartford, Conn.

Aetna Life reported $450 million in total indexed assets as of May 31.

Many money managers say FASB changes and minimal transaction fees particularly have boosted the popularity of fixed-income index funds.

Despite a 1% decline in the widely tracked Shearson Lehman Government/Corporate bond index for the six months ended May 31, assets in fixed-income index funds increased 48.5% to $43.73 billion from $29.45 billion during the period.

"Bond indexing is very attractive now, especially for public funds which are tired of paying higher fees for less-than-market performance," said Erich Weissenberger Jr., marketing director of Favia Hill & Associates, New York.

"We haven't had a real bear market in bonds in a long time," Mr. Weissenberger said. "The jury's still out as to whether managers will move more money into bond indexes when the bear market comes."

Favia Hill had $101 million in indexed assets May 31, all in fixed-income index funds.

The Shearson Lehman index remained bond index managers' most widely used benchmark, attracting more than $30 billion, up from $17.8 billion Nov. 30.

Approximately $9.3 billion in assets tracked the Salomon Brothers Broad Investment Grade bond index, up from $1.3 billion at the beginning of the period. The remaining fixed-income dollars were indexed to customized indexes.

Many money managers told *P&I Age* in late 1986 that international indexing would be an area of tremendous growth, especially since international managers have had trouble beating the Morgan Stanley Capital International Europe Australia Far East index. They've been on the right track.

Tax-exempt U.S. assets deposited in international index funds grew to $6.53 billion from $3.51 billion for the six-month period, a net gain of 42.3% after accounting for EAFE's 43.7% appreciation during the period.

Nearly $5.1 billion in U.S. tax-exempt assets tracked the EAFE, up from $3.2 billion Nov. 30.

Money managers cited several reasons they expect international indexing to grow.

One is pension executives considering a passive management approach generally are just discovering the advantages of using international indexing to diversify their assets.

Six months ago, only six managers offered international index funds. Today there are at least 13.

"International funds give managers the ability to hedge against the dollar," said Ed Robie managing director of Western Asset Management Co., Los Angeles. Western Asset reported managing $300 million in indexed assets, all in fixed-income funds.

International indexing — like other forms of indexing — also offers tremendous savings over active portfolios, said Harry Sterling, vice president of the State Street Bank & Trust.

State Street, which ranked as the nation's largest manager of international and global account assets in *P&I Age*'s June 29 directory of international managers, also leads managers of international index funds, with $3.86 billion — more than half of the total.

But while State Street dominates that area, a number of new players entered the international indexing game in 1987.

Bankers Trust Co., New York, and Manufacturers National Bank-Detroit have $300 million each in international index funds, after reporting none in Nov. 30.

Other investment management firms that reported none in November, are Alliance Capital Management Corp., New York, now with $250 million; Axe Core Investors, Tarrytown, N.Y., $125 million; American National Bank & Trust Co. of Chicago, $100 million; and Travelers Investment Management Co., Hartford, Conn., $52 million. ■

# $15 PBGC . . .

*Continued from page 8*

minimum funding standards and because of reduced transfers from the PBGC trust fund, according to a congressional staff member.

Citing these revenue figures, the subcommittee leaders requested the Joint Committee on Taxation be asked to re-examine them to ensure accuracy, and that the base premium and variable-rate component be modified if the costs are lower.

The oversight subcommittee also recommended employers sponsoring underfunded defined benefit plans be required to fund their plans more rapidly, and set forth a set of minimum funding standards along the lines of the administration's proposal.

"When terminating an underfunded pension plan, employers should be liable to their plan participants to the full extent of the plan's promised benefits, and to the PBGC for the full amount of the benefits guaranteed," according to the letter to Mr. Rostenkowski from Messrs. Pickle and Schultze.

Under the proposed minimum funding standards, there would no distress termination for companies in reorganization under Chapter 11 bankruptcy laws, and no access to reversions except after termination. The excise tax on the reversions would be doubled to 20% from 10%.

A company also would be able to recover assets from a terminated plan only if the employer's other defined benefit plans have assets of at least 125% of termination liability.

Although the reaction of PBGC Executive Director Kathleen P. Utgoff was favorable, industry representatives were less than pleased.

"The PBGC is very encouraged by the Ways and Means proposal because it is very similar to the administration's bill," Ms. Utgoff said in a statement. "Although it doesn't go as far as we had hoped, we feel these are steps in the right direction."

Mark J. Ugoretz, executive director of the ERISA Industry Committee, said if the Ways and Means proposal became law, "you'd see a wholesale retreat from defined benefit plans, because it's not that hard anymore to decide you won't pay the freight on this type of plan."

Mr. Ugoretz pointed out several important factors were left vague in the proposal, including the definition of termination liability and the interest rate assumed by the proposal.

"We are greatly distressed to see that the starting point would be $15," said Stuart J. Brahs, executive director of the Association of Private Pension and Welfare Plans. He said the APPWP's members continue to question the accuracy of the PBGC's estimate of its financial troubles and if that estimate justifies such an increase.

Also strongly opposed to the proposal are labor representatives, saying the faster funding requirements on existing liabilities are too harsh. The cost would be so high it could lead to a big loss of jobs or even put some companies under, said Alan Reuther, assistant general counsel of the United Auto Workers. ■

# Plan sells . . .

*Continued from page 1*

at 100⅛ each on shares originally valued at $100 each — completed the transactions (*Pensions & Investment Age*, June 29).

Numerous companies, especially in the metals industry, contributed employer securities in lieu of part or all of their pension contributions in the early 1980s, when they were pressed for cash.

So far, only one pension fund has taken a major loss on such a contribution. Wheeling-Pittsburgh Steel Corp.'s 1982 contribution of 753,488 shares of preferred stock to its pension fund — originally valued at $26.3 million — was roughly valued at $1 by an official at the Pension Benefit Guaranty Corp. earlier this year (*P&I Age*, March 9).

The PBGC had assumed control of the company's underfunded plans after Wheeling-Pitt had filed for reorganization under Chapter 11 of the federal Bankruptcy Code in 1985.

The Armco stock was sold for $37 million, or 26% less than its original valuation of $50 million. But inclusion of the $4.50 annual dividend would have provided the pension fund with an additional $18 million, more than offsetting the $13 million paper loss on the securities. Thus, the total value of the investment grew by a cumulative 10% during the four-year period, before considering reinvestment of the dividends.

Nevertheless, the fund's opportunity loss was substantial. In the four-year period ended June 30, the Standard & Poor's 500 has soared a cumulative 112.5%.

Officials at Armco did not respond to requests for comment on the fund's action.

As of Jan. 1, 1986, the most recent financial statements available, Armco had $1.51 billion in pension assets and $1.67 billion in accrued liabilities for vested and non-vested benefits.

The company has been restructuring its operations in recent years in the face of sizable losses. It reported net losses of $472 million in 1986, $476.9 million in 1984, $672.5 million in 1983 and $345.1 million in 1982.

In the first quarter of 1987, however, Armco reported net income of $52.5 million; it also showed a $44.8 million profit for 1985. Long-term debt as a percentage of total capitalization increased to 51.7% March 31, 1987, from 21.4% Jan. 1, 1982.

Analysts said it was opportune for the fund to sell the shares.

"We think they (the company) have made incredible progress in strengthening their financial position," said Charles Bradford, vice president at Merrill Lynch Capital Markets, New York. He said Armco now enjoys a high cash position and has dramatically improved its balance sheet.

The company's common stock has rebounded to the $10-per-share level, after being below $5 per share last year.

Each share of the preferred stock issue is convertible into 2.22 shares of common stock at any time. Armco can redeem the shares at any time, in whole or in part, for between $50 and $52.70 per share.

Steven Brooks, a senior analyst at Moody's Investors Service, New York, said the company is enjoying improved access to the market, in light of common stock and debt issued recently. That Armco's pension fund was able to sell the stock "speaks well for the company," he said. ■


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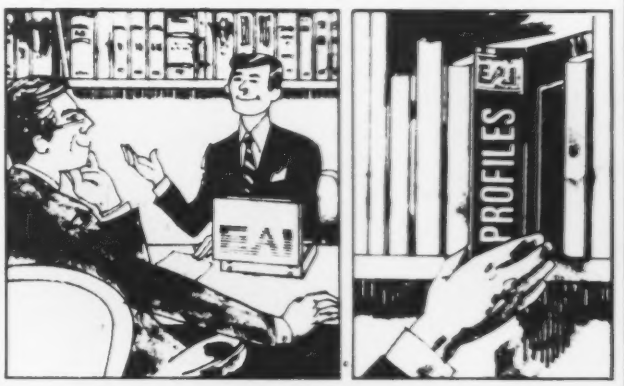


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# Pensions & Investment Age

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# Convertible investors fight losses

**By Marcia Parker**

Major investors in convertible securities are fed up with losing millions of dollars on conversion rights in some takeovers and restructurings, and are threatening to stay on the sidelines unless Wall Street underwriters provide them with adequate protection.

"What we're saying is, 'We're not going to take it anymore,' " said John Calamos, managing director, Noddings-Calamos Asset Management Inc., an Oak Brook, Ill., convertible manager with about $200 million in convertibles under management.

"There has to be some economic value associated with the conversion privilege. There have been some flagrant abuses over the years," he said.

About 20 players like Mr. Calamos want protection against takeovers in which the tendering stock price is less than the conversion price. They cited a dozen cases in which they have suffered, or could suffer, big losses, including:

- The acquisition in June of Grunthal Financial Corp. by Home Group Inc., both New York firms, in which the takeover price was $9.50 per share and the conversion price, $10 per share.
- The pending acquisition of Crazy Eddie Inc., the Edison, N.J., consumer-electronics firm facing buy-out bids from its chairman and Entertainment Marketing Inc., Houston, in which convertible holders stand to lose because the takeover prices are $7 and $8 per share respectively, and the conversion price, $23.125.

Some underwriters are quietly succeeding in getting corporate issuers to include protective clauses in the indentures of new convertible issues. A few recent issuers — such as Burlington Industries Inc., Greensboro, N.C., and Freuhauf Corp., Detroit — employed what many say will become standard: "freeze out" protection guaranteeing convertible investors a fair return on their investments.

Meantime, even as some remedies are being fashioned, the players are debating what the best protection is and who should pay for it. Some convertible investors don't think they should have to pay for the protection, while others aren't convinced the protection is worth the cost.

And in an odd twist, some corporate issuers are accepting the idea of protection as a mini-poison pill, although they don't like to admit it. The protective clauses act as a mild deterrent to raiders, boosting the cost of the takeover because they require the acquiring company to pay convertible holders up front in cash — and they also might have to give bondholders something more to boot.

The convertible managers actively pressing underwriters for protective clauses include Froley Revy Investment Co., Los Angeles, with $700 million in convertibles; Wellington Management Co./ Thorndike, Doran, Paine & Lewis, Boston, which manages $400 million in convertibles; Trust Co. of the West, Los Angeles, with $1.5 billion; and Noddings-Calamos.

They have been joined — although quietly — by executives of a few corporate pension funds that invest in convertibles, such as the $18.2 billion fund of IBM Corp., Stamford, Conn., and the $32.9 billion General Motors Corp. fund, New York.

In recent months, the money managers and corporate pension executives have told top convertible underwriters — Smith, Barney, Harris Upham & Co. Inc; Drexel Burnham Lambert Inc.; Goldman, Sachs & Co.; and Morgan Stanley & Co. — they want protective clauses in new issues.

The remedies range from a reset

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TOKYO GOLD: U.S. and European money managers are starting to get their hands on billions of Japanese dollars. *P&I Age* looks at the ramifications — Page 3.

ON A NEW TRACK: British Rail took a bold step by turning over management of a vast portion of its pension
I with
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technology. For now, investors are thrilling Showscan with a good review to its initial public offering — Page 25.

# Twist on 10% rule aired

**By Chuck Paustian**

A proposal allowing overfunded defined benefit plans to invest more than 10% of assets in employer securities was rejected twice by the Department of Labor, but has stirred interest among pension experts.

The proposal, a new interpretation of part of the Employee Retirement Income Security Act, first was contained in a prohibited transaction exemption request from Thomson McKinnon Inc., New York. Hartmarx Corp., Chicago, subsequently used the proposal in a similar exemption request.

Both Thomson McKinnon, which filed its original application in August 1986, and Hartmarx, which filed its first request in December, were seeking the exemptions to establish pension floor offset arrangements.

Thomson McKinnon officials no longer are pursuing their exemption request, and have filed their intention to terminate the $36.8 million plan and recoup $9 million in surplus assets.

Executives of the Hartmarx plan continue to seek the exemption, but the application no longer contains the proposal to reinterpret the 10% rule (*see related story, page 45*).

Executives of the two companies asked Labor Department officials to reinterpret the portion of ERISA that deals with employer securities. They suggested investments in securities of the plan sponsor be based on the relationship of a plan's assets to its termination liabilities, with assets equal to 90% of the plan's termination liabilities invested in non-employer securities.

*Continued on page 45*

*David Walker says the 10% ERISA provision doesn't need reinterpreting.*

*John Erlenborn says the argument for revision is compelling and appealing.*

# N.Y. fund boosts real estate

**By John Covaleski**

NEW YORK — The approximately $36 billion New York State Common Retirement Fund will increase its equity real estate exposure to about 6% from 0.67%, by 1992 primarily through direct investments, said Robert J. Steves, the fund's new assistant deputy comptroller for real estate investments.

Based on its current size, the increased allocation would boost the fund's equity real estate investments to $2.16 billion from $133 million now invested (of $240 million allocated), making it one of the biggest real estate equity investors among U.S. pension funds and the third jumbo public fund to dramatically increase its target.

The $43 billion California Public Employees' Retirement System and the $23.5 billion California State Teachers' Retirement System, both in Sacramento, already have revealed plans to increase their real estate allocations to 10% each (*Pensions & Investment Age*, June 29).

The ultimate size of New York State Common's increase "depends on the market, but to the extent that our real estate portfolio can grow, it will grow," said Mr. Steves, who joined the state fund's New York City office in April from L.F. Rothschild Unterberg Towbin Inc., New York, where he was a senior vice president in municipal finance.

Under Mr. Steves, the state fund has made one new equity real estate investment, committing $25 million to TCW Land Fund I, a closed-end, commingled fund managed by TCW Realty Advisors, Los Angeles, for investment in undeveloped land (*see related story on page 37*).

Mr. Steves said the goal is to invest about 4% of total assets in direct real estate deals, mainly as sole investor. The remaining 2% is

*Continued on page 48*

# Pension expense drops 51%

By Sheryl L. Cohen

Implementation of FASB 87 helped slash aggregate pension expense of the Fortune 100 companies 51% in 1986, to $5.3 billion from $10.82 billion in 1985.

Only six of the 100 largest industrial and manufacturing companies (by sales) reported a higher pension expense in 1986 than in 1985, according to Wright Investors' Service, Bridgeport, Conn., which collected the information for *Pensions & Investment Age* from the companies' annual reports.

Financial Accounting Standards Board Statement 87 was cited for much of the dramatic decrease.

Under the accounting rule, when a corporation with an overfunded plan switches to Statement 87, any surplus is amortized over the remaining service years of the employees or 15 years, whichever is less.

Also under FASB 87, corporations are encouraged to use the Pension Benefit Guaranty Corp.'s interest rate assumption, which generally is tied to market rates and normally is higher than the more conservative actuarial assumptions used under the old accounting rule.

In addition, FASB 87 calls for use of the unit credit method for funding liabilities. This reduces pension fund expense, lowering cost in the early years, while raising it later.

Although FASB 87 is credited with the decline in reported pension expense, it is not the first nor the exclusive method used by corporations desiring to issue lower pension expense figures. According to William H.S. Preece Jr., director-corporate finance at Kraft Inc., Northbrook, Ill., corporations conceivably could have dropped their pension expense prior to FASB 87, using a number of different "tricks."

But FASB 87 "forces everybody into a lower expense," he said.

Although some corporations did not implement FASB 87 as part of the 1986 annual report information, compliance was mandated by Dec. 15, 1986.

Excluding the 14 firms moving to a pension income status from a pension expense, Sun Co. Inc., Radnor, Pa. showed the largest decline. The company reported a 96.4% decrease in pension expense, dropping to $3 million in 1986 from $83 million a year earlier.

Richard L. Veith, manager-benefit plans investments, said the FASB accounting rule served as the external factor that transformed the overfunded plan from an expense to a near-credit in 1986.

In addition, Mr. Veith cited the good health of the company and pension plan as an additional reason for the drop.

Although not as dramatic, Mr. Veith said 1987 should bring another drop in pension expense — or even a reversal to a credit.

Our position would be even greater — but not markedly," he said.

Philip Morris Inc., New York, showed a 93% drop in pension expense, second to Sun. The company's expense fell to $7 million from $100 million in 1985. According to a spokeswoman for the corporation, the primary reason was a change in assumption rate.

"I think it is connected to FASB," said Mary Lee Caliman, manager-financial services. "We decided to change the assumption rate for funding as well. Now we're fully funded."

Chevron Corp., San Francisco, Calif., also cited FASB 87, this time as the impetus for its transformation to a company with pension income. Between 1985 and 1986, pension expense declined $187 million, leaving Chevron with an income of $6 million, according to R.G. Williamson, assistant controller.

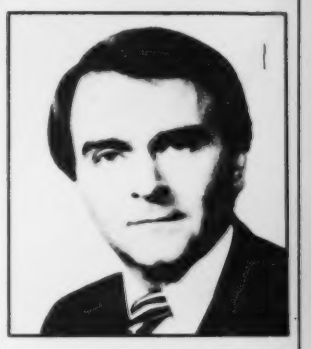
Like Chevron, International Paper Co., New York, also moved from an expense to pension income. In 1986, the corporation reported an income of $38 million, compared with the 1985 expense of $4 million.

"FASB 87 gave us a big pension income. It is certainly the bulk of the impact," said Myra Drucker, director-pension investments.

The largest jump in expense belonged to Shell Oil Co., Houston, which reported an expense of $38 million in 1986, up 58.3% from $24 million in 1985. Controller Mike Sullivan attributed the in-

*Continued on page 48*

**Pension funds, balance sheets and income: Page 40**



*Sandy Lincoln of Mercer-Meidinger-Hansen says yield managers lead the pack.*

# Yield style on a roll in market

By Marlene Givant

NEW YORK — Yield managers — historically high performers in neutral or down periods — have turned out surprisingly strong returns this bull market.

"I think it's fair to say this is about as long a run for one style that we have seen in market history. Year by year over the past five years, the high-yield group has done better than managers using small-cap, low-yield stocks," said Sandy Lincoln, managing director in the Deerfield, Ill., office of William M. Mercer-Meidinger-Hansen Inc.

And those returns have pleased pension fund clients.

"It was not a conscious decision to employ a 'yield manager,' " Vernon Strickland, director of the $1.9 billion Louisiana Employees Retirement System, Baton Rouge, said of the firm's hiring Duff & Phelps Investment Management Co. almost two years ago. "The board thought more managers with more management styles would be the appropriate thing to do."

Chicago-based Duff & Phelps, which manages a balanced account for the system, emphasizes low price-earnings, high dividend income and above-average return on equity.

"Their returns were quite respectable. We're satisfied customers," he said, adding returns have beaten the market

*Continued on page 44*

# $200 'exit charge' proposed

## House panel seeks new per-participant termination fee

By Nicky Robertshaw

WASHINGTON — Employers that terminate a defined benefit pension plan during the next three years would have to pay an exit charge of $200 per participant to the PBGC under a proposal by a House subcommittee.

The premium, which would be required for plans terminating on or after July 1, 1987, would apply whether a plan is underfunded or overfunded. Plans terminating after 1990 would pay exit costs that would be calculated as a portion of the Pension Benefit Guaranty Corp. debt at the time.

The exit charge was coupled with a flat-rate PBGC premium of $19 per participant per year, up from the current $8.50 premium.

The subcommittee proposal also would dramatically accelerate amortization of actuarial gains and losses to five years from the current 15 years. This provision could cause a dramatic increase in pension contributions when markets plunge.

The House Education and Labor Committee Subcommittee on Labor-Management Relations approved the proposal, as well as a surprise portability amendment, on July 23. Full committee consideration is expected this week.

The subcommittee's action came a day after the House Ways and Means Committee approved an alternative minimum funding measure that includes a variable-rate PBGC premium. That committee slightly altered a proposal from one of its subcommittees, lowering the base premium under the variable-rate plan to $14 per participant per year from $15; it retained a $50 premium cap (*Pensions & Investment Age*, July 13).

It also changed the asset threshold after which the funding charge is required to 100% of vested benefits rather than 110%.

Under the Education and Labor subcommittee's proposal, an employer would have to pay the larger of current funding requirements law or an amount sufficient to cover plan benefit payments plus interest on the plan's unfunded vested liabilities, subject to a complex cap.

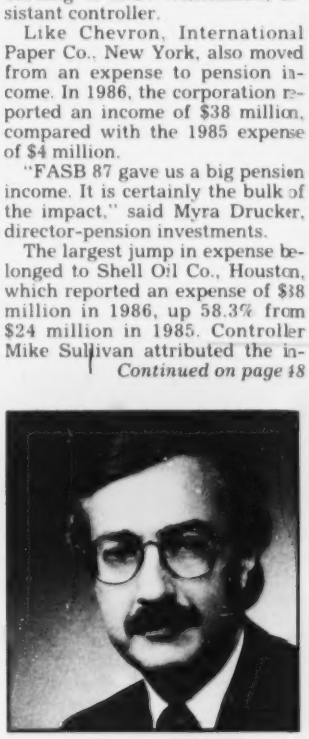
Both panels' proposals are moving ahead as part of the federal budget reconciliation. The House Ways and Means Committee, in its quest to raise $65 billion in revenue in the next three years, wants $500 million to $100 million for fiscal 1988 to come from the pensions area.

The exit-fee proposal once again puts management and labor on opposite sides of the fence.

From the employers' perspective, the $200-per-participant exit fee proposal is expensive and would generate more money than the PBGC needs, said Stuart J. Brahs, executive director of the Association of Private Pension and Welfare Plans, Washington.

"Clearly you have got to provide some incentive to keep employers in the system," Mr. Brahs said, pointing to the group's concern that changes in the law could make it difficult, if not impossible, for employers to stay within the defined benefit system.

But Alan Reuther, associate general counsel for the United Auto Workers, said the exit charge is preferable to the Ways and Means proposal, which labor sees as hitting hardest those companies that can least afford more stringent premiums and funding requirements.



*Stuart J. Brahs said the exit fee would generate more money than the PBGC needs.*

While conceding the termination funding charge portion of the proposal has "conceptual merit," David Walker, deputy assistant secretary of labor, said the administration strongly opposes the proposal.

"We will continue to support a

*Continued on page 52*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

**P&I Age May indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 5.06 | 27.49 | 25.21 |
| Russell 3000 | 4.55 | 24.71 | 19.82 |
| Ryan Index | 1.32 | −1.80 | 1.74 |
| Shearson Lehman Gov't./Corp. | 1.24 | −0.44 | 4.68 |

Source: Rogers, Casey and Barksdale Inc., and Frank Russell.

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# Western advisers tap into $16 billion from Japanese

**By Joel Chernoff and Marlene Givant**

Non-Japanese money managers are acting as advisers on or running the investment of $16.84 billion in Japanese institutional and individual assets, according to a survey by *Pensions & Investment Age*.

Unlike some manufacturers, U.S. money managers have obtained access to Japanese markets, even though they usually must establish ties with Japanese firms to pull in clients.

Largely in the past 18 months, non-Japanese managers — led by U.S. and European firms — have started to make significant inroads into the Japanese investment market as investors there increasingly are looking to foreign markets to invest their burgeoning capital and the Japanese government is loosening restrictions on investment (*see related story, page 4*).

Accounts garnered by "gaijin" — foreign — firms are invested in local and overseas markets; geographic breakouts are not available. But the Japanese clearly are looking to other markets to absorb their surpluses. Last year, Japan's current account surplus exceeded $85 billion and this year's surplus is expected to be near $75 billion, according to Salomon Brothers Inc., New York.

There is no question the amount of Japanese assets becoming available to foreign managers is huge. The growing "tokkin" — Japanese corporate liquidity reserves — represented some $93 billion at the end of April, according to Daiwa Securities Co. Ltd., Tokyo. Unit trust assets — the equivalent of mutual funds — stood at $160 billion, and the fund trust market, comprising other institutional and corporate assets, was $73 billion as of March 31, said George Curuby, Curuby & Co., a Tokyo-based consultant.

Meanwhile, the Japanese private and public pension market — valued around $310 billion, according to InterSec Research Corp., Stamford, Conn. — is the fastest growing in the world

"Obviously, pension money is what all foreigners are waiting to get their hands on," said Jonathan Taylor, marketing director of Baring International Investment Ltd., London. Now, only trust banks, Daiwa Bank and insurance companies can manage Japanese pension assets.

The vast amounts of surplus assets generated through foreign trade, the yen's high value and lower volatility and price-earnings ratios in the U.S. market have caused the Japanese to invest in the United States. In addition, a need to become competitive internationally in the investment area and to provide better long-term rates of return have resulted in an intense drive by the Japanese to both learn the state-of-the-art investment technology and invest abroad, observers say.

Some argue Japan's Ministry of Finance — by loosening restrictions on how much Japanese institutions can invest abroad and opening the market to foreign trust banks and investment advisers — has created a "national mission" of learning the investment management business.

"It's an economy that's shifted from MITI to MoF," said Anne Cabot, manager of marketing for Sanyo Securities Co. Ltd., Tokyo, referring to the ministry's growing importance compared with the Ministry of International Trade & Industry.

Efforts to pierce the Japanese market, as well as to invest on behalf of domestic clients, have led to a variety of joint ventures by U.S. and European money managers with Japanese firms, as well as establishment of Japanese subsidiaries and offices.

The biggest and best-known of the investment managers have picked up Japanese business. Topping the list are three of the nine foreign banks with Japanese trust subsidiaries: Bankers Trust Co., with $2.65 billion in Japanese assets under management; Chemical Bank, with $1.5 billion; and J.P. Morgan Co., $1 billion. All are based in New York.

Of the non-trust managers, Morgan Grenfell Asset Management Ltd., London, led the pack with $750 million; Mercury Asset Management, $678 million; T.T. Capital Management Ltd., London, $600 million; CIGNA Asset Advisers Inc., Hartford, Conn., $525 million; and Hill Samuel Group PLC, London, had $520 million.

Some $16.84 billion is run either directly by the firms or through a joint venture with a Japanese firm, which may provide marketing, research or distribution.

In addition, non-Japanese managers run a portion of some $2.28 billion in funds that have multiple managers, including Japanese firms, and where breakouts of each firm's assets under management were not available (*see accompanying table*).

The tables, however, do not include mutual funds that are sold worldwide. Merrill Lynch & Co., New York, for example, manages hundreds of millions of dollars in mutual funds with significant Japanese investment, according to Richard Reller, vice president of Merrill Lynch Asset Management Inc., Princeton, N.J.

Many of the joint ventures have been directed toward individual investors in Japan, but now products are appearing for institutional investors as well.

- Batterymarch Financial Management, Boston, has two joint ventures with Japanese firms: a $60 million-plus mutual fund investing in U.S. stocks set up last year with Yamaichi Securities Co. Ltd., Tokyo, and a $250 million conservatively managed mutual fund with Taiyo Investment Trust and Management Co., Tokyo.
- Wells Fargo Investment Advisors, San Francisco, advises on a stock index fund based on the Standard & Poor's 500 and marketed to individual Japanese investors by Nikko Securities Co. Ltd., Tokyo. Within the past six months, it has pulled in about $300 million, said Jeff Skelton, executive vice president with Wells.
- U.S. firms are handling the U.S. portion of global funds marketed in Japan. The Putnam Cos., Boston, run the $28 million U.S. portion of a $294 million global fund with six different investment options, said Stanford Brainerd, senior executive vice president at Yamaichi International America Inc., New York.
- Aimed at the Japanese institutional market, nine foreign trust banks are operating subsidiaries in Japan, often in joint ventures with Japanese partners.

For example, Morgan Trust Bank, Tokyo, is responsible for $1 billion in Japanese institutional assets. J.P. Morgan Investment Management Inc.'s New York and London offices invest 70% of the assets in foreign markets; the remainder is invested in local markets by the Tokyo office, said George E. Austin, managing director of the New

*Continued on page 50*

## U.S. firms serve as mentors

**As the Japanese sent hordes of technicians to Detroit in the 1950s to study how U.S. automakers manufactured cars — only to beat Americans at their own game two decades later — so they now are intensively examining U.S. and European investment management techniques.**

**Through a variety of arrangements, the Japanese are educating themselves on the latest investment management technology, with a heavy emphasis on quantitative techniques including use of derivative instruments and dynamic hedging.**

**So far, the Japanese primarily aim to use these applications in their own market, but initial efforts at investing overseas outside of government bonds are taking hold.**

**"As always, the agenda is a dual one: to invest money more efficiently and to learn how to invest money themselves," said Dean Williams, a trustee with Batterymarch Financial Management, Boston.**

**Numerous observers said the Japanese cannot grasp how U.S.**

*Continued on page 50*

### Japanese assets under management by non-Japanese managers

| Manager | Japanese relationship | Discretionary or advisory assets |
|---|---|---|
| ABD Int'l Mgmt. | direct | 150 |
| Alliance Capital Mgmt. | direct | 232 |
| Australia/New Zealand Banking | Daiwa | 94 |
| Bankers Trust | Sumegin Bank | 2,650 |
| Banque Indosuez | direct | 100 |
| | Nikko | NA* |
| | Nomura | 8 |
| Banque Nationale de Paris | Daiwa | NA* |
| Barclays Bank | direct | 560 |
| Baring Int'l Investment | direct | 145 |
| | Daichi | 50 |
| | Daiwa | 130 |
| | Nikko | 100 |
| Batterymarch Financial Mgmt. | Taiyo | 250 |
| | Yamaichi | 60 |
| Capital Guardian Int'l | Nomura | 175 |
| Capital Mgmt. Int'l | Nomura | 35 |
| Chase Investors Mgmt. | direct | 40 |
| | Daiwa | 80 |
| | Yamaichi | 147 |
| Chemical Bank | direct | 1,500 |
| Citicorp Investment Mgmt. | NA | 419 |
| CIGNA Asset Advisers | direct | 525 |
| County Investment Mgmt. | direct | 160 |
| | Daiwa | NA |
| Credit Commercial de France | Nikko | 50 |
| Credit Suisse Trust | Mitsui Trust | 762 |
| Dimensional Fund Advisors | Nomura | 75 |
| Dreyfus | Daiwa | 155 |
| | Daiwa | NA* |
| Fraser Green | Nikko | 10 |
| G.T. Capital Mgmt. | direct | 350 |
| | Nikko | NA* |
| | Nomura, others | 250 |
| Hill Samuel Group | direct | 520 |
| IDS Equity/Fixed Income Advisors | Daiwa | NA* |
| Ivory & Sime Int'l | Nikko | 30 |
| | Sumitomo Life | 100 |
| | Sumitomo Trust | 40 |
| | Yamaichi | 60 |
| Jardine Fleming Investment Mgmt. | Yasuda Trust | 500 |
| Korean Trust | Yamaichi | 45 |
| M.&G. Investment Mgmt. | Yamaichi | 89 |
| Manufacturers Hanover Investment | direct | 399 |
| | NA | 126 |
| Mercury Asset Mgmt. | direct | 378 |
| | New Japan | 100 |
| | Nikko | 110 |
| | Yamaichi | 90 |
| Merrill Lynch Asset Mgmt. | Nomura | 500 |
| MIM Britannia | direct | 500 |
| | Daiwa | NA* |
| | Yamaichi | NA* |
| J.P. Morgan | direct | 1,000 |
| Morgan Grenfell Asset Mgmt. | NA | 750 |
| Murray Johnstone | Yamaichi | 280 |
| Paribas Asset Mgmt. | direct | 400 |
| Prudential Asset Mgmt. | Nikko | 100 |
| Prudential Portfolio Managers (U.K.) | Nomura | 190 |
| Putnam | Yamaichi | 28 |
| Robeco | Nikko | NA* |
| Ross and Roll Asset Mgmt.[1] | Daiwa | 89 |
| N.M. Rothschild Asset Mgmt. | Nomura | NA* |
| Royal Trust | Nikko | 25 |
| Schroder Capital Mgmt. Int'l | NA | NA |
| Scudder Stevens & Clark | Nikko | NA* |
| | Taiyo | NA* |
| Societe General | Yamaichi | NA* |
| Union Bank of Switzerland | direct | 570 |
| Wardley Investment Services Int'l | direct | 167 |
| | Nikko | 20 |
| Wellington Mgmt. | Nomura | 25 |
| | Yamaichi | 50 |
| Wells Fargo Investment Advisors | Nikko | 300 |
| TOTAL | | 16,843 |

NA* the manager runs a portion of a multimanager fund; breakout by manager is not available (see table, page 50)
[1] Ross and Roll provides software for investment program; management is by Daiwa International Capital Mgmt.
Source: *Pensions & Investment Age*

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# Divestiture ruling disappoints execs at Baltimore fund

**By Trudy Ring**

BALTIMORE — The Baltimore Employees' Retirement Systems almost certainly will appeal a court decision upholding the city's South Africa divestiture ordinance, said Ernest J. Glinka, retirement systems administrator.

Judge Martin B. Greenfeld ruled July 17 in Baltimore Circuit Court the ordinance is constitutional. The ordinance requires the three systems to divest themselves of securities in all companies doing business in South Africa.

The $1.2 billion systems have about $400 million in these securities. The ordinance called on the fund to begin divestiture last Jan. 1 and complete it within two years. During litigation, the fund has used suspension provisions of the ordinance to avoid divestiture.

Pension fund officials argued the ordinance conflicted with the interstate and foreign commerce clauses of the U.S. Constitution, conflicted with the foreign affairs power of the federal government, was pre-empted by federal law regarding South Africa and impaired contracts existing between the systems and their participants and beneficiaries.

Judge Greenfeld ruled these claims were without merit. Among his findings were:

- The city, like a private investor, can decide with what companies to deal without impinging on the interstate commerce clause.
- The ordinance's influence on foreign commerce cannot be characterized as more pervasive than other measures, such as franchise taxes, upheld by other courts.
- The federal government's power to conduct foreign affairs does not mean a state or local government may not establish moral guidelines when investing its own funds for proprietary purposes.
- If Congress had intended to invalidate state and local divestiture laws when it approved economic sanctions against South Africa, the sanctions legislation likely would have contained express language to that effect.
- The projected effect of divestiture upon investment return is so small it could not impair contracts for promised benefits the retirement systems have made with their members.

The retirement systems' trustees were meeting late last week to discuss appealing the ruling to Maryland Appellate Court, Mr. Glinka said. He said he was "99.9% certain" they would appeal it. ■

## Corrections & clarifications

- An article on foreign assets under management by the **50 largest international money managers** in the June 29 issue incorrectly stated the total. The correct number is $45.809 billion.
- A story on the **Government National Mortgage Association**'s troubled mobile home portfolio in the July 13 issue incorrectly identified the underwriters for General Electric Credit Corp.'s $59 million issue of mobile home loan-backed securities. Kidder Peabody & Co. was sole underwriter.
- The Current Accounts section of the July 13 issue of *Pensions & Investment Age* incorrectly identified the manager of a balanced account for the Chicago Sun-Times. The correct manager is **Investment Advisers Inc.**, Minneapolis.
- **Wilshire Asset Management**, Santa Monica, Calif., was omitted inadvertently from *Pensions & Investment Age*'s July 13 ranking of top index fund managers. Wilshire is the nation's 12th largest index fund manager, with $2.8 billion in tax-exempt assets as of May 31, all in domestic equity index funds.

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# Assets increase 65% for top 100 advisers

By Sheryl L. Cohen

Assets under management by the 100 largest investment institutions grew 65.5% to about $3.066 trillion from $1.852 trillion in the 21 months ended Dec. 31, a *Pensions & Investment Age* survey shows.

A complete listing of the 100 institutions and their subsidiaries begins on page 49.

The 10 firms with the most assets under management as of Dec. 31 represented 31.58% of the total, with $968.346 billion, whereas the top 10 as of March 31, 1985, represented 32.3% of the total, with $598.742 billion.

Insurance companies were most represented in the top 10 in both surveys. Prudential Insurance Co. of America, Newark, N.J., was first in both surveys. The company and its subsidiaries grew to $177.466 billion from $86.368 billion.

The 105.5% increase is due to a number of events, including the bull market and the establishment of three subsidiaries, said Susan O'Brien, manager of marketing at Prudential.

American Express Corp., New York, was second on this year's list, moving up from fifth. American Express reported $140.021 billion assets under management.

New to *P&I Age*'s top 10 are Wells Fargo & Co., San Francisco, and FMR Corp., Boston.

Wells Fargo made the largest leap on the chart, to eighth place from 26th. Assets under management grew to $63.783 billion from $22.433 billion.

The increased popularity of indexing and the acquisition last year of Crocker National Bank contributed to the bank holding company's growth, said Dave Demarest, vice president.

FMR, which includes Fidelity mutual funds, ranked seventh, up from 15th. Assets under management grew to $65.12 billion from $29.83 billion. According to Roy Lyons, senior communications specialist, the growth is based on several things, including the stronger securities market, an expanded asset base, growing brokerage revenue and strong sales of low-load funds.

Investment managers held 34 of the 100 positions in this year's survey, the greatest number of the five sectors included. They represented 37.1% of the total with $1.138 trillion. Although the 16 insurance companies ranked third in number, they had the second highest percentage of assets under management, 25.28%. They collectively held $775.226 billion.

Banks and trust companies, which numbered 30, held $725.898 billion assets under management, representing 23.67%. The seven corporate funds included in the survey captured 4.92% of the total with $151.12 billion assets under management, while 13 state and local government funds reported $264.259 billion, 8.61% of the total.

No internally managed pension fund made the top 10, but California Public Employees' Retirement System, Sacramento, was the highest-ranked one, moving to 20 from 21 in 1985. The fund reported $40.72 billion under management.

Three banks reported a decline in assets under management. The largest drop, $3.99 billion, was reported by First Interstate Bancorp, Los Angeles, and the smallest, $521 million, by Harris Bankcorp, Chicago. First Chicago Corp. reported $13.6 billion as of Dec. 31, down $3.69 billion from $17.29 as of March 31, 1985.

On the other hand, Aetna Life & Casualty Co., Hartford, Conn., increased its total assets under management to $104.556 billion, from $76.971 billion, a 35.83% increase.

The jump, which pushed Aetna up a notch to third place, is attributed to a "remarkable" growth in sales, according to Barbara Aurell, manager-employee benefits division.

High returns on mutual funds and the attractiveness of stocks and bonds have led to the dramatic growth of Franklin Funds, San Francisco, according to Edward McVey, vice president-national sales manager. Franklin jumped to 31 from 81. Assets under management increased to $32.24 billion from $8.23 billion. ■

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# Corporate credit improves in 2nd quarter

By Brad Rudin

NEW YORK — Corporate credit ratings improved during the second quarter, the result of the weak dollar, a slackening in the pace of corporate restructurings and improved productivity.

Downgrades as a percentage of total rating actions dropped at three of the five national rating agencies.

Downgrades accounted for 55% of Standard & Poor's Corp.'s second-quarter rating actions vs. 74% of the New York-based agency's first-quarter decisions; at Moody's Investors Service, New York, downgrades were made in 60% of their second-quarter actions, down from 66% in the first quarter; and at Fitch Investors Service Inc., New York, downgrades accounted for 54% of the second-quarter actions vs. 71% in the first quarter.

But at Duff & Phelps Inc., Chicago, downgrades rose to 63% vs. 60%; and at McCarthy, Crisanti & Maffei Inc., New York, they rose to 83% from 53%.

The dollar amount of upgraded debt underscored improvement in corporate credit quality. Second-quarter upgrades at Moody's affected $49 billion of corporate debt while downgrades affected $41 billion of these obligations. Moody's reported the dollar amount upgraded by the agency exceeded the amount downgraded for the first time since the second quarter of 1986.

In the first quarter of 1987, $9 billion of debt rated by Moody's was affected by upgrades while $61 billion was affected by downgrades.

Moody's cited the Ford Motor Co., Dearborn, Mich., as a major rating change of the second quarter, noting in a statement the higher rating for some $25 billion of company debt resulted from "productivity improvements and continuing ability to generate cash."

It also mentioned the higher rating given to Unisys Corp., Detroit, which affected $3.8 billion of outstanding debt. Unisys' higher rating reflected the company's "accelerated progress in consolidating Burroughs and Sperry."

Preliminary second-quarter figures offered by Standard & Poor's show that agency raised the ratings on $31 billion of debt, close to the $38 billion affected by downgrades. "That is an improvement from the first quarter, when $12 billion of upgraded debt was overwhelmed by $63 billion downgraded," according to an article in Standard & Poor's Credit Week.

The improved ratio of downgrades to upgrades also was cited in Credit Week, which put S&P's second-quarter ratio at 1.22-to-1. That ratio of downgrades to upgrades is the most favorable since the fourth quarter of 1984. In the first quarter of 1987, the ratio stood at 2.82-to-1.

The weakened dollar should receive credit for the improved ratings, said Neal M. Soss, chief economist at First Boston Corp., New York. U.S. companies involved in world trade have benefited from the more expensive imports and cheaper exports created by the devalued dollar, he said.

"You can see it in their orders, their employment patterns, their profits and now you can see it in their ratings," Mr. Soss said. "I think that will persist, not in the sense that the dollar will get even cheaper, but (in the sense that) the cheaper dollar has benefits still to confer in the future."

S&P, in its Credit Week summary of the second-quarter rating changes, commented on the improvement in the industrial sector, noting downgrades in that sector ran four times upgrades in 1986 and the first quarter of 1987 while in the second quarter, the 33 upgrades came close to the 34 downgrades.

Rising stock prices largely are responsible for the improvement of credit quality because the bull market makes it more expensive for raiders to make acquisitions, said Byron Klapper, a senior vice president at Standard & Poor's. Mergers and acquisitions have been a leading cause of credit quality deterioration.

Loan loss reserves established by money center banks to protect themselves from default by Latin American debtors also have contributed to the stabilization of credit ratings, Mr. Klapper said.

S&P is optimistic about the future of credit quality, he said. "We see the trend continuing favorably through the year."

Moody's, however, offered a less sanguine prediction about credit quality. The improved second-quarter results are likely to be an aberration, Harold H. Goldberg, rating committee chairman, said in a statement. "Upgrades also outpaced downgrades during the second quarter of 1986, but we went on to finish the year with record declines in credit quality." ■

### Corporate credit rating changes

| | 2nd quarter 1987 | | 1st quarter 1987 | | 2nd quarter 1986 | |
|---|---|---|---|---|---|---|
| | Up | Down | Up | Down | Up | Down |
| Duff & Phelps | 16 | 27 | 21 | 31 | 19 | 28 |
| Fitch Investors Service | 12 | 14 | 7 | 17 | 11 | 12 |
| McCarthy, Crisanti & Maffei | 4 | 19 | 8 | 9 | 13 | 15 |
| Moody's Investors Service | 34 | 51 | 25 | 50 | 67 | 56 |
| Standard & Poor's | 65 | 79 | 28 | 79 | 55 | 100 |

Source: Data from the rating agencies


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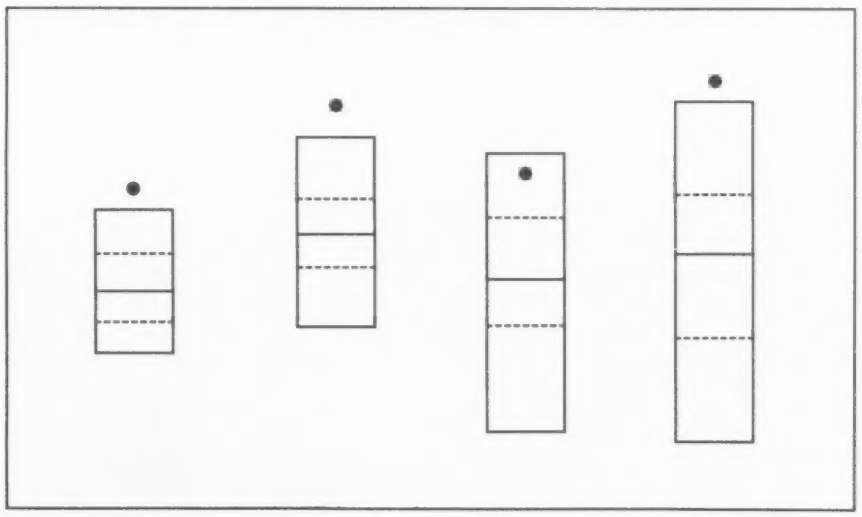

| | 10 Years | 5 Years | 3 Years | 1 Year |
|---|---|---|---|---|
| CCI Return (●) | 19.9 | 26.4 | 21.9 | 27.3 |
| SEI Ranking* | 3 | 1 | 7 | 1 |
| S&P 500 | 13.8 | 19.9 | 18.5 | 18.7 |

*Annualized Rates of Return*
**Source: SEI Funds Evaluation*
***Past results do not assure future performance.*

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# Cash Management

## Small firms will tap paper issuing pool

By Chuck Paustian

Three New Haven-based companies are among those expecting to obtain financing through a commercial paper issuing pool set up as an alternative capital source to conventional bank borrowing and industrial development bonds.

Kramer's of New Haven, Connecticut Chair Car Inc. and The Park Plaza Hotel all have applied for financing from the commercial paper pool, set up by American Development Finance Inc., Washington.

American Development Finance's commercial paper issuing pool is the latest attempt to provide smaller companies with low-cost financing via the commercial paper market.

The Cooperative Association of Tractor Dealers Inc., Chevy Chase, Md., already has a commercial paper pool for small borrowers under way, while Capital Funding Partners, Chicago, is setting one up (*Pensions & Investment Age*, Sept. 15).

The American Development Finance pool, called the Enterprise Capital Fund, was established to provide loans to small and medium-size corporations nationwide for projects sponsored by local economic development agencies.

In addition to requiring the sponsorship of an economic development agency, loans also must be backed by real estate and most will require a separate credit enhancement, such as a bank letter of credit.

Although the pool has yet to issue any commercial paper, the initial size of the program is set at $100 million, with Shearson Lehman Brothers Inc., New York, serving as dealer and financial adviser.

The commercial paper program is backed by a letter of credit from the New York branch of Banque Indosuez, the seventh largest bank in France. Based on the credit of the bank, the commercial paper should carry the highest ratings for commercial paper, according to Shearson Lehman and American Development Finance executives.

American Development Finance is a non-profit corporation formed under the guidance of the National Association of State Development Agencies.

"For our borrowers, we're cheaper than what's available through conventional means," including bank borrowings, said Ruth E. Goldberg, executive vice president and chief operating officer at American Development Finance. She added the process also is less complicated than tax-exempt financing, although not as cost effective.

American Development Finance estimates the total cost of its loans will be between 50 and 100 basis points more than the prime rate, compared with the 200 to 300 basis points above prime at which these companies normally borrow.

In addition, the Tax Reform Act of 1986 reduced the possibility of obtaining financing through the issuance of industrial development bonds. The law lowered the amount of the bonds issued in each state and restricted the use of the proceeds to manufacturing concerns.

"It's a very viable alternative for local businesses to obtain financing," said Lawrence Liebman, an attorney and president of Kramer's of New Haven, a women's apparel and furrier company, which hopes to obtain a $2 million loan, backed by a combined store and office building.

"It's very attractive for me," he said.

Mr. Liebman also said he doesn't think the program will give him any additional leverage in his commercial bank relationships. "You have to be a pretty good credit to get this," he said, adding the banks already were reflecting that credit quality in their lending rates.

Executives of Connecticut Chair Car and Park Plaza Hotel were unavailable for comment.

According to Sal Brancati, executive director of the New Haven Community Investment Corp., one of two development agencies sponsoring local loan applications, the financing from the commercial paper pool is very competitive with other capital sources.

"It's a very effective program," Mr. Brancati said. "We tried to find the flaw and in fact we couldn't find any."

Ms. Goldberg said borrowers will pay about 70 basis points above the cost of the commercial paper to cover various fees, including 50 basis points for Banque Indosuez; 12.5 basis points for Bankers Trust Co., New York, the program's trustee; and 5 basis points for American Development Finance's administrative costs.

Other payment options, such as one that offers some protection against interest rate volatility, are available, Ms. Goldberg said. The costs and risks of these schedules vary and are borne by the borrower.

She said the program will issue its first commercial paper sometime this month, once the first loan application receives final approval.

"All the hard parts, in terms of establishing the program, are done," she said. "The day we need the money, that's when we will sell the paper." ■

> *"All the hard parts, in terms of establishing the program, are done. The day we need the money, that's when we will sell the paper."*
>
> Ruth E. Goldberg,
> American Development Finance

**Payden & Rygel index of short maturity assets***
**(for month ended June 30)**

| | June 1987 | Quarter ended 6/30/87 | Year to date | 12 months ended 6/30/87 | Yield level monthly change* |
|---|---|---|---|---|---|
| **90-day** | | | | | |
| U.S. Treasury bill | 0.4782 | 1.4288 | 2.8852 | 5.8841 | 5 |
| Domestic C.D. | 0.6064 | 1.5928 | 3.1282 | 6.3463 | −12 |
| Eurodollar C.D. | 0.6284 | 1.6447 | 3.1625 | 6.4769 | −15 |
| **180-day** | | | | | |
| U.S. Treasury bill | 0.0460 | 1.4921 | 2.9091 | 6.0711 | −25 |
| Domestic C.D. | 0.6829 | 1.3945 | 2.8003 | 6.0760 | −21 |
| Eurodollar C.D. | 0.7156 | 1.4921 | 2.8186 | 6.2035 | −25 |
| **1-year** | | | | | |
| U.S. Treasury note | 0.6709 | 1.0982 | 2.3985 | 5.9110 | −11 |
| **2-year** | | | | | |
| U.S. Treasury note | 1.0145 | 0.1359 | 1.3654 | 5.5092 | −21 |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. Ninety- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

*Pitman Co., a distributor of the graphic arts supplies shown here, is consolidating collection and disbursement services at a saving of $2 million. As a result, the company will have to do less borrowing.*

## Pitman moving cash services to Continental Bank

By Barry B. Burr

SECAUCUS, N.J. — Pitman Co. expects to save almost $2 million by eliminating compensating balances and improving availability as it drops 12 banks and moves to a single bank for its collection and disbursement, according to Gerald R. Knueven, treasurer.

With the additional cash, the company will have to do less borrowing, he said.

"Now we have $1.9 million in tax-exempt (securities invested)," he added. "Last year we didn't have any investments; we were borrowing."

Pitman is moving its collection and disbursement, both for payroll and nonpayroll, to Continental Illinois National Bank & Trust Co., Chicago.

The company, a graphic arts and printing supplies distributor with $200 million in annual sales, also will move its cash concentration account to Continental.

Pitman's decentralized operations, with 13 branch distribution offices, strained its former system of decentralized cash management banks.

As a decentralized operation, he said, some regions would have excess cash while others would need to borrow. Because of "the communications and timing bureaucracy," the excess balances couldn't always be made available, so some regions would have to borrow on their lines of credit with their regional banks.

By centralizing its banking services, he said, Pitman easily can make any excess funds from one region available to another.

"We realized there were pockets of money" maintained as balances with the banks the company couldn't use, added John Cunningham, cash manager and inventory manager.

"Every bank required balances," ranging from $50,000 to $100,000.

Concentration and regular, or nonpayroll, disbursement accounts had been with First Jersey National Bank, Jersey City, N.J.; Trust Co. Bank, Atlanta; and Continental.

Pitman had 10 lockbox banks, including Continental and two other banks that also handled disbursements and concentration. Seven other banks handled lockbox collections only, including Wachovia Bank & Trust Co., Charlotte, N.C.; Norwest Bank, Minneapolis; United Missouri Bank, Kansas City, Mo.; First National Bank of Boston; Sun Bank, Tampa; Hamilton Bank, Philadelphia.

In addition, Pitman had three payroll disbursement accounts, all with small local banks that didn't have any lockbox accounts.

Of the $2 million available cash Pitman picked up since moving to Continental, he said $400,000 to $600,000 came from eliminating compensating balances, $500,000 from increased availability and about $1 million from more efficient movement of funds by eliminating the banks.

Besides dropping the banks for cash management services, he said Pitman ended all lines of credit with the banks.

He said the company is keeping only a $3.5 million line of credit with Continental, though it uses it little, if at all, since the new system has been put in place.

"They sold themselves out of some lending," he said of Continental. "But we will need it down the road" as the company grows.

Mr. Knueven said the changes, begun in January, were completed this month.

Pitman has a lockbox for each of its 13 branch offices, though some of the collection points are located in the same city and handled by the same bank. Continental's mail-intercept network provides 10 lockbox sites in or near the same cities the company had with its old system. The lockbox receipts, all processed daily in Chicago, are picked up at the sites by Continental's couriers four times daily, Mr. Knueven noted.

Even though the collections are centralized by one bank, Mr. Knueven said Continental maintains the decentralized lockbox receipt data for each of Pitman's branch offices, sending the information back daily.

He noted each branch is responsible for accounts receivable accounting and for collecting payments, including overseeing delinquent accounts and credit relations with customers.

*Continued on page 34*

# Pension funds, balance sheets and income

| Company | Total pension liabilities $ mil. | Vested benefits $ mil. | Fund assets $ mil. | Vested funding status $ mil. 1986 | Vested funding status $ mil. 1985 | Assumed rate of return (%) 1986 | Assumed rate of return (%) 1985 | Net worth $ mil. | 1986 vested funding status as percentage of net worth | Pension assets as percentage of corporate assets | Corporate assets $ mil. | Pension expense $ mil. | Operating income $ mil. | Pension expense as percentage of adjusted operating income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Abbott Labs | 348.6 | 317.7 | 698.6 | 380.9 | 189.2[2] | 10.0 | 7.9[2] | 1,778.9 | 21.4 | 39.3 | 3,865.6 | 18.1 | −14.5 | 878.6 | −1.7 |
| Allied-Signal | 3,389.0 | 3,105.0 | 4,134.0 | 1,029.0 | 868.0 | 9.0 | 8/9.0 | 3,670.0 | 28.0 | 112.6 | 11,268.0 | 36.7 | 93.0 | 942.0 | 9.0 |
| Aluminum Co. Amer. | 2,375.0 | 2,219.3 | 2,198.5 | −20.8 | 95.2 | 8.0 | 8.3 | 3,655.6 | −0.6 | 60.1 | 6,766.7 | 32.5 | 89.0 | 419.8 | 17.5 |
| Amerada Hess | 97.5[1] | 91.8[1] | 175.6[1] | 83.8[1] | 75.5[2] | 8.0[1] | 9.0[2] | 2,020.1 | 4.1 | 8.7 | 4,914.1 | 3.6 | 0.7 | −73.1 | M |
| American Brands | 868.6 | 831.9 | 1,147.4 | 315.5 | 1.6 | 9.0 | 8.6 | 2,540.9 | 12.4 | 45.2 | 5,362.8 | 21.4 | 14.9 | 777.1 | 1.9 |
| American Cyanamid | 793.9[1] | 781.6[1] | 870.3[1] | 88.7[1] | 11.0[2] | 8.5[1] | 8.5[2] | 1,720.6 | 5.2 | 50.6 | 3,667.0 | 23.7 | 50.9 | 271.9 | 15.8 |
| American Home | — | — | — | — | — | — | — | 2,376.3 | — | — | 4,175.1 | — | 20.9 | 1,152.0 | 1.8 |
| Amoco | 1,564.0 | 1,509.0 | 2,072.0 | 563.0 | 438.0 | 8.0 | 8.0 | 11,324.0 | 5.0 | 18.3 | 23,706.0 | 6.7 | 42.0 | 2,491.0 | 1.7 |
| Anheuser-Busch | 319.3 | 287.1 | 666.1 | 379.0 | 232.8[2] | 9.0 | 8.5[2] | 2,015.8 | 18.8 | 33.0 | 5,833.8 | 11.4 | 36.6 | 1,005.1 | 3.5 |
| Archer Daniels | 80.7[1] | 68.9[1] | 99.9[1] | 31.0[1] | 19.0[2] | 8.0[1] | 8.0[2] | 2,075.9 | 1.5 | 4.8 | 3,315.4 | 3.0 | 6.0 | 240.6 | 2.4 |
| Ashland Oil | 369.9 | 365.4 | 709.8 | 344.4 | 283.4 | 8.0 | 9.7 | 971.0 | 35.5 | 73.1 | 3,804.7 | 18.7 | −16.9 | 381.8 | −4.6 |
| AT&T Technologies | 16,269.0 | 17,756.0 | 26,643.0 | 8,887.0 | 7,735.0 | 7.8 | 6.7 | 13,550.0 | 65.6 | 196.6 | 38,883.0 | 68.5 | −258.0 | 2,489.0 | −11.6 |
| Atlantic Richfield | 1,424.0 | 1,357.0 | 2,054.0 | 697.0 | 546.0[2] | 9.5 | 8.5[2] | 5,130.0 | 13.6 | 40.0 | 21,604.0 | 9.5 | 9.0 | 1,494.0 | 0.6 |
| Baxter Travenol | 208.0 | 185.0 | 178.0 | −7.0 | 6.0 | 9.5 | 9.5 | 2,490.0 | −0.3 | 7.1 | 7,068.0 | 2.5 | 26.0 | 483.0 | 5.1 |
| Bethlehem Steel | 3,603.6 | 3,490.9 | 2,279.6 | −1,211.3 | −1,032.9[2] | 9.0 | 8.0[2] | 624.0 | −194.1 | 365.3 | 4,660.9 | 48.9 | 192.2 | −56.3 | M |
| Boeing | 3,233.0 | 2,949.0 | 4,658.0 | 1,709.0 | 1,424.0 | 8.5 | 8.5 | 4,826.0 | 35.4 | 96.5 | 11,068.0 | 42.1 | 215.0 | 630.0 | 25.4 |
| Boise Cascade | 544.9 | 532.5 | 655.1 | 122.5 | 150.7 | 8.5 | 8.5 | 1,470.6 | 8.3 | 44.5 | 3,533.6 | 18.5 | −3.3 | 280.6 | −1.2 |
| Borden | 389.9 | 363.8 | 409.3 | 45.5 | 72.4[2] | 10.5 | 7.8/11.1[2] | 1,438.3 | 3.2 | 28.5 | 3,582.2 | 11.4 | −4.5 | 445.7 | −1.0 |
| Bristol-Myers | 427.8 | 378.2 | 659.6 | 281.4 | 196.1[2] | 12.0 | 9.8[2] | 2,829.4 | 9.9 | 23.3 | 4,183.0 | 15.8 | −15.9 | 312.9 | −5.4 |
| Campbell Soup | 431.4 | 415.7 | 510.5 | 94.8 | 76.1[2] | 9.0 | 9.0[2] | 1,538.9 | 6.2 | 33.2 | 2,762.8 | 18.5 | 10.4 | 415.8 | 2.4 |
| Caterpillar | 2,648.0 | 2,533.0 | 3,392.0 | 859.0 | 831.0 | 8.5 | 9/10.7 | 3,149.0 | 27.3 | 107.7 | 6,288.0 | 53.9 | 51.0 | 249.0 | 17.0 |
| Champion Int'l | 863.2 | 822.7 | 879.8 | 57.1 | 103.6[2] | 9.5 | 9.3[2] | 2,592.4 | 2.2 | 33.9 | 6,025.7 | 14.6 | 20.6 | 437.9 | 4.5 |
| Chevron | 2,820.0 | 2,713.0 | 3,615.0 | 902.0 | 918.0[2] | 8.0 | 8.0[1] | 15,493.0 | 5.8 | 23.3 | 34,583.0 | 10.5 | −6.0 | 2,684.0 | −0.2 |
| Chrysler | 4,843.5 | 4,047.7 | 3,235.3 | −812.4 | −600.0 | 10.0 | 10.0 | 5,344.8 | −15.2 | 60.5 | 14,463.2 | 22.4 | 236.3 | 1,794.0 | 11.6 |
| Coastal | 297.8 | 250.1 | 552.3 | 302.2 | 151.2[2] | 11.0 | 9.0[1] | 658.1 | 45.9 | 83.9 | 7,777.3 | 7.1 | −3.6 | 612.6 | −0.6 |
| Coca-Cola | 292.8[1] | 267.5[1] | 398.9[1] | 131.4 | 114.4 | 8.0 | 9.0 | 3,514.9 | 3.7 | 11.3 | 8,373.4 | 4.8 | 31.0 | 1,325.0 | 2.3 |
| Colgate-Palmolive | 531.3[1] | 504.4[1] | 761.4[1] | 257.0[1] | 197.2[2] | 8.7[1] | 8.8[2] | 894.5 | 28.7 | 85.1 | 2,845.9 | 26.8 | 12.2 | 332.3 | 3.5 |
| Con Agra | 80.4[1] | 65.3[1] | 114.1[1] | 48.8[1] | 29.4[2] | 8.0[1] | 8.0[2] | 510.5 | 9.6 | 22.4 | 1,819.7 | 6.3 | 12.0 | 220.2 | 5.2 |
| CPC Int'l | 551.3 | 515.4 | 456.8 | −58.6 | −7.8 | 10.5 | 8.0 | 956.1 | −6.1 | 47.8 | 3,650.6 | 12.5 | 34.1 | 349.6 | 8.9 |
| Digital Equipment | 265.2 | 223.3 | 667.7 | 444.4 | 303.2 | 6.0 | 6.0 | 5,727.8 | 7.8 | 11.7 | 7,173.3 | 9.3 | 111.8 | 828.7 | 11.9 |
| Dow Chemical | 1,765.0 | 1,635.0 | 1,934.0 | 299.0 | 208.0 | 8.0 | 8.0 | 5,168.0 | 5.8 | 37.4 | 12,242.0 | 15.8 | 156.0 | 1,285.0 | 10.8 |
| Du Pont | 6,717.0 | 6,605.0 | 11,402.0 | 4,797.0 | 4,236.0 | 9/11.0 | 9.4 | 13,137.0 | 36.5 | 86.8 | 26,733.0 | 42.7 | −121.0 | 3,188.0 | −3.9 |
| Eastman Kodak | 3,032.0 | 2,986.0 | 4,775.0 | 1,789.0 | 1,220.0 | 9.0 | 9.0 | 6,388.0 | 19.1 | 74.7 | 12,902.0 | 37.0 | 96.0 | 724.0 | 11.7 |
| Eaton | 855.4 | 772.5 | 1,032.7 | 260.2 | 271.0 | 10.0 | 8.0 | 1,244.9 | 21.8 | 83.0 | 3,025.0 | 34.1 | 18.9 | 234.7 | 7.5 |
| Emerson Electric | 310.3[1] | 259.6[1] | 437.6[1] | 178.0[1] | 187.3[2] | 8.4[1] | 9.2[2] | 2,374.0 | 7.9 | 18.4 | 3,769.0 | 11.6 | 28.9 | 756.9 | 3.7 |
| Exxon | 6,330.0 | 5,971.0 | 9,087.0 | 3,116.0 | 3,886.0 | 4/12.0 | 10.0 | 32,012.0 | 9.7 | 28.4 | 69,484.0 | 13.1 | 239.0 | 7,851.0 | 3.0 |
| Ford Motor | 11,680.0 | 9,800.0 | 12,500.0 | 2,700.0 | 1,440.0 | 8.0 | 8.2 | 14,859.5 | 18.2 | 84.1 | 37,933.0 | 33.0 | 711.4 | 4,056.5 | 14.9 |
| General Dynamics | 2,246.3 | 2,087.0 | 2,844.0 | 757.0 | 738.3[2] | 8.0 | 8.0 | 1,264.4 | 59.9 | 224.9 | 4,552.5 | 62.5 | 36.0 | 229.0 | 13.6 |
| General Electric | 12,258.0 | 11,958.0 | 13,311.0 | 1,353.0 | 5,963.0 | 6.5 | 7.0 | 15,109.0 | 9.0 | 88.1 | 34,591.0 | 38.5 | 143.0 | 3,061.0 | 4.5 |
| General Mills | 398.0[1] | 358.0[1] | 510.0[1] | 152.0[1] | 112.0[2] | 4/8.7[1] | 4/9.7[2] | 682.5 | 22.3 | 74.7 | 2,086.2 | 24.4 | 32.4 | 331.9 | 8.9 |
| General Motors | 31,561.9 | 27,587.5 | 33,495.9 | 5,908.4 | 2,117.7 | 8.5 | 10.9 | 29,274.0 | 20.2 | 114.4 | 72,593.0 | 46.1 | 821.0 | 1,430.9 | 36.5 |
| Georgia-Pacific | 347.0 | 316.0 | 501.0 | 185.0 | 169.0 | 7.5 | 7.5 | 2,437.2 | 7.6 | 20.6 | 5,114.0 | 9.8 | 22.0 | 590.0 | 3.6 |
| Goodyear Tire | 1,113.6 | 996.5 | 1,656.5 | 660.0 | 327.9 | 9.0 | 8.0 | 3,002.6 | 22.0 | 55.2 | 8,609.5 | 19.2 | 15.1 | 507.9 | 2.9 |
| Grace (W.R.) | 386.2 | 365.5 | 766.0 | 400.5 | 271.9 | 7.3 | 7.1 | 1,300.9 | 30.8 | 58.9 | 4,097.2 | 18.7 | 2.1 | 187.1 | 1.1 |
| Hanson Industries | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Heinz (H.J.) | 221.4[1] | 183.0[1] | 293.8[1] | 110.8[1] | 66.3[2] | 9.0[1] | 9.0[2] | 1,356.5 | 8.2 | 21.7 | 2,837.4 | 10.4 | 23.5 | 551.1 | 4.1 |
| Hewlett-Packard | 725.0[1] | 554.0[1] | 896.0[1] | 342.0[1] | 304.0[2] | 9.0[1] | 8.0[2] | 4,374.0 | 7.8 | 20.5 | 6,287.0 | 14.3 | 56.0 | 780.0 | 6.7 |
| Honeywell | 1,402.0 | 1,228.6 | 1,857.6 | 629.0 | 359.0 | 8.5/14.5 | 8.5/14.5 | 2,221.2 | 28.3 | 83.6 | 5,139.0 | 36.1 | 73.8 | 91.4 | 44.7 |
| IC Industries | 412.9 | 390.9 | 534.1 | 143.2 | 12.4[2] | 9.0 | 9.0[2] | 1,528.4 | 9.4 | 34.9 | 4,712.9 | 11.3 | 15.4 | 505.8 | 3.0 |
| IBM | 12,821.0 | 11,936.0 | 24,165.0 | 12,229.0 | 7,778.0 | 5/11.0 | 6/8.0 | 34,374.0 | 35.6 | 70.3 | 57,814.0 | 41.8 | 585.0 | 7,859.0 | 6.9 |

**Definitions**

**Total pension liabilities:**
The actuarial present value of benefits promised to all past and present employees based on service already performed.

**Vested benefits:**
The present value of all benefits accrued by employees who have worked long enough with the company to have a legal right to the benefits.

**Fund assets:**
The market value of the assets that have been set aside to fund pension benefit payments.

**Vested funding status:**
Fund assets minus vested benefits. Overfunded plans have a positive status; plans with an unfunded vested liability have a negative status.

**Assumed rate of return:**
The weighted average interest rate the company's actuary uses in deriving the present value of total pension benefits.

**Net worth:**
The amount of equity available for stockholders as shown on the company's balance sheet.

**Adjusted operating income:**
Operating income plus pension expense.

# statements: 1986 (See related story— page 2)

| Company | Total pension liabilities $ mil. | Vested benefits $ mil. | Fund assets $ mil. | Vested funding status $ mil. 1986 | Vested funding status $ mil. 1985 | Assumed rate of return (%) 1986 | Assumed rate of return (%) 1985 | Net worth $ mil. | 1986 vested funding status as percentage of net worth | Pension assets as percentage of net worth | Corporate assets $ mil. | Pension assets as percentage of corporate assets | Pension expense $ mil. | Operating income $ mil. | Pension expense as percentage of adjusted operating income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Int'l Paper | 1,108.0 | 1,069.0 | 1,530.0 | 461.0 | 332.0 | 8.5 | 8.5 | 3,664.0 | 12.6 | 41.8 | 7,848.0 | 19.5 | −38.0 | 353.5 | 9.7 |
| ITT | 1,937.0 | 1,746.0 | 1,869.0 | 123.0 | 285.8[2] | 9.8 | 9.0[2] | 6,525.5 | 1.9 | 28.6 | 12,920.4 | 14.5 | 85.9 | 282.3 | 23.3 |
| Johnson & Johnson | 518.0 | 483.2 | 903.7 | 420.5 | 412.2 | 8.5 | 8/8.5 | 2,824.2 | 14.9 | 32.0 | 5,876.7 | 15.4 | 44.2 | 840.0 | 5.0 |
| Kimberly-Clark | 583.7 | 562.9 | 697.7 | 134.8 | 141.5 | 9.0 | 10.0 | 1,919.9 | 7.0 | 36.3 | 3,676.0 | 19.0 | 24.2 | 484.9 | 4.8 |
| Kraft | 827.5 | 797.7 | 1,320.1 | 522.4 | 345.2 | 9.0 | 8.0 | 1,798.0 | 29.1 | 73.4 | 4,749.3 | 27.8 | −21.7 | 716.9 | −3.1 |
| Litton Industries | 612.0 | 593.0 | NA | NA | 19.0 | 7.0 | 7.0 | 1,011.7 | 0 | 0 | 4,569.3 | 0 | 33.6 | 251.0 | 11.8 |
| Lockheed | 3,084.0 | 2,958.0 | 4,526.0 | 1,568.0 | 1,221.0 | 8.5 | 7.9 | 1,866.0 | 84.0 | 242.6 | 5,943.0 | 76.2 | −40.0 | 763.0 | −5.5 |
| LTV | 541.9[1] | 485.6[1] | 773.8[1] | 288.2 | 238.4 | 10.0 | 10.0 | −2,468.7 | −11.7 | −31.3 | 5,498.7 | 14.1 | 137.9 | 147.0 | 48.4 |
| Martin Marietta | 1,207.8 | 1,088.7 | 1,568.9 | 480.2 | 418.0 | 4/7.5 | 4/9.3 | 843.4 | 56.9 | 186.0 | 2,470.7 | 63.5 | 69.5 | 293.7 | 19.1 |
| McDonnell Douglas | 2,452.1[1] | 2,135.5[1] | 3,949.6[1] | 1,814.1[1] | 1,209.3[2] | 8.0[1] | 8.0[2] | 2,844.8 | 63.8 | 138.8 | 7,910.7 | 49.9 | 165.2 | 392.9 | 29.6 |
| Merck | 627.3 | 591.5 | 991.7 | 400.2 | 357.0 | 9.0 | 9.0 | 2,569.1 | 15.6 | 38.6 | 5,105.2 | 19.4 | 18.7 | 1,041.2 | 1.8 |
| 3M | 1,224.0 | 923.0 | 1,996.0 | 1,073.0 | 620.0 | 8.5 | 8.5 | 4,463.0 | 24.0 | 44.7 | 7,348.0 | 27.2 | 8.0 | 1,410.0 | 0.6 |
| Mobil | 2,231.0 | 2,009.0 | 2,869.0 | 860.0 | 1,165.0 | 9.5 | 9.0 | 15,239.0 | 5.6 | 18.8 | 39,412.0 | 7.3 | 22.0 | −802.0 | M |
| Monsanto | 2,311.0 | 2,124.0 | 3,014.0 | 890.0 | 678.0 | 8.2/9.0 | 8.5 | 3,781.0 | 23.5 | 79.7 | 8,269 | 36.4 | 33.0 | 477.0 | 6.5 |
| Motorola | 208.0 | 176.0 | 411.0 | 235.0 | 166.0 | 8.0 | 8.0 | 2,754.0 | 8.5 | 14.9 | 4,682 | 8.8 | −2.0 | 351.0 | −0.6 |
| NCR | 1,047.8 | 953.8 | 1,616.7 | 662.9 | 531.7 | 8.1 | 8.3 | 2,396.3 | 27.7 | 67.5 | 4,014.9 | 40.3 | 47.3 | 597.7 | 7.3 |
| North American Philips | 511.0 | 455.2 | 895.7 | 440.5 | 315.0 | 10.2 | 9.0 | 1,096.2 | 40.2 | 81.7 | 2,885.8 | 31.0 | −9.5 | 146.6 | −6.9 |
| Northrop | 941.8[1] | 789.9[1] | 1,667.3[1] | 877.4[1] | 485.5[2] | 7.5[1] | 6.0[2] | 898.7 | 97.6 | 185.5 | 2,698.8 | 61.8 | 124.5 | 70.8 | 63.7 |
| Occidental Petroleum | 126.1 | 122.2 | 140.0 | 17.8 | 17.8[2] | 9.3 | 7.6[2] | 3,969.3 | 0.4 | 3.5 | 17,466.8 | 0.8 | 4.0 | 863.3 | 0.5 |
| PPG Industries | 818.2 | 760.6 | 1,012.8 | 252.2 | 135.6 | 9.5 | 9.0 | 1,997.8 | 12.6 | 50.7 | 4,641.4 | 21.8 | −4.3 | 767.6 | −0.6 |
| PepsiCo | 418.9[1] | 327.8[1] | 573.9[1] | 246.1[1] | 246.1[2] | 7.0[1] | 7.0[2] | 2,059.1 | 12.0 | 27.9 | 8,028.6 | 7.1 | 35.0 | 713.0 | 4.7 |
| Pfizer | 522.2 | 487.8 | 715.2 | 227.4 | 130.3 | 8.0 | 7.5 | 3,415.2 | 6.7 | 20.9 | 5,163.7 | 13.9 | 6.8 | 959.7 | 0.7 |
| Philip Morris | 1,852.0 | 1,758.0 | 2,917.0 | 1,159.0 | 793.0 | 9.0 | 9.0 | 5,655.0 | 20.5 | 51.6 | 17,642.0 | 16.5 | 7.0 | 3,624.0 | 0.2 |
| Phillips Petroleum | 48.0 | 47.0 | 158.0 | 111.0 | 766.0 | 9.3 | 9.3 | 1,710.0 | 6.5 | 9.2 | 12,399.0 | 1.3 | −24.0 | 1,313.0 | −1.9 |
| Pillsbury | 223.4 | 202.2 | 389.6 | 187.4 | 134.7 | 9.0 | 9/15.3 | 1,314.2 | 14.3 | 29.6 | 3,658.8 | 10.6 | −6.2 | 474.4 | −1.3 |
| Procter & Gamble(A) | — | — | — | — | — | — | — | 5,704.0 | — | — | 13,055.0 | — | — | 1,305.0 | — |
| RJR Nabisco | 1,858.0 | 1,604.0 | 2,260.0 | 656.0 | 525.0[2] | 9.0 | 8.5[2] | 5,312.0 | 12.3 | 42.5 | 17,019.0 | 13.3 | 71.0 | 2,478.0 | 2.8 |
| Ralston Purina | 351.9 | 341.4 | 541.4 | 200.0 | 229.5 | 8.0 | 8.0 | 998.9 | 20.0 | 54.2 | 4,209.9 | 12.9 | 44.6 | 593.5 | 7.0 |
| Raytheon | 1,133.8 | 1,049.9 | 1,603.9 | 554.0 | 403.9 | 8.0 | 7.0 | 1,954.6 | 28.3 | 82.1 | 3,555.9 | 45.1 | 50.9 | 449.0 | 10.2 |
| Rockwell Int'l | 3,667.0[1] | 3,291.0[1] | 5,417.0[1] | 2,126.0[1] | 2,126.0[2] | 9.0[1] | 8.0[2] | 3,148.6 | 67.5 | 172.0 | 7,703.4 | 70.3 | 77.1 | 1,064.6 | 6.8 |
| Sara Lee | 211.2 | 189.5 | 309.8 | 120.3 | 70.2 | 8.5 | 8.5 | 1,154.7 | 10.4 | 26.8 | 3,503.1 | 8.8 | 20.3 | 411.8 | 4.7 |
| Shell Oil | 2,111.0 | 1,883.0 | 2,853.0[1] | 970.0 | 865.0 | 8.5 | 8.8 | 14,129.0 | 6.9 | 20.2 | 26,528.0 | 10.8 | 38.0 | 4,013.0 | 0.9 |
| Smith-Kline Beckman | 314.5[1] | 288.0[1] | 583.0[1] | 296.0[1] | 213.8[2] | 8.5[1] | 8.5[2] | 1,296.0 | 22.8 | 45.0 | 4,222.0 | 13.8 | 15.4 | 764.2 | 2.0 |
| Standard Oil | 1,005.0 | 927.0 | 1,113.0 | 186.0 | 262.0 | 9.0 | 10.0 | 7,020.0 | 2.6 | 15.9 | 15,955.0 | 7.0 | 11.0 | 2,874.0 | 0.4 |
| Sun | 1,447.1 | 1,325.0 | 1,610.0 | 285.0 | 203.0 | 8.0 | 9.5 | 5,254.8 | 5.4 | 30.6 | 11,684.0 | 13.8 | 3.0 | 756.0 | 0.4 |
| Tenneco | 1,169.0 | 1,052.0 | 2,019.0 | 967.0 | 308.0[2] | 7.6 | 7.6[2] | 4,412.0 | 21.9 | 45.8 | 18,021.0 | 11.2 | −27.0 | 1,023.0 | −2.7 |
| Texaco | 986.0 | 857.0 | 1,365.0 | 508.0 | 507.0[2] | 9.0 | 9.0[2] | 13,739.0 | 3.7 | 9.9 | 34,940.0 | 3.9 | 79.0 | 2,777.0 | 2.8 |
| Texas Instruments | 261.9 | 216.5 | 778.8 | 562.3 | 257.9[2] | 9.0 | 6.0[2] | 1,427.1 | 39.4 | 54.6 | 3,336.7 | 23.3 | 9.7 | 101.9 | 8.7 |
| Textron | 1,132.8[1] | 1,047.7[1] | 1,347.9[1] | 300.2[1] | 300.2[2] | 8.2[1] | 8.2[2] | 1,811.6 | 16.6 | 74.4 | 5,557.1 | 24.3 | 41.0 | 401.2 | 9.3 |
| Time | 152.0 | 135.0 | 231.0 | 96.0 | 55.3[2] | 10.0 | 10.0[2] | 1,302.0 | 4.3 | 17.7 | 4,230.0 | 5.5 | 14.0 | 308.0 | 4.3 |
| TRW | 1,250.4 | 1,167.6 | 1,745.7 | 578.1 | 680.2 | 10.0 | 8.5/10.0 | 1,173.9 | 57.9 | 148.7 | 3,909.3 | 44.7 | 62.1 | 405.1 | 13.3 |
| USX | 8,273.0 | 7,956.0 | 8,893.0 | 937.0 | 2,209.0 | 9.0 | 9.0 | 4,734.0 | 19.8 | 187.9 | 21,823.0 | 40.8 | −194.0 | −1,494.0 | M |
| Union Carbide | 1,377.0 | 1,326.0 | 1,721.0 | 395.0 | 445.0 | 10.0 | 9.3 | 1,005.0 | 39.3 | 171.2 | 7,571.0 | 22.7 | 19.0 | 659.0 | 2.8 |
| Unisys | 2,156.8 | 2,012.8 | 3,055.3 | 1,042.5 | 214.7 | 9.3 | 9.3 | 3,828.3 | 27.2 | 79.8 | 9,408.8 | 32.5 | 22.1 | −15.8 | M |
| United Technologies | 3,709.6 | 3,524.2 | 5,117.2 | 1,593.0 | 1,213.1[2] | 10.0 | 8.3[2] | 3,801.4 | 41.9 | 134.6 | 11,091.8 | 46.1 | 50.4 | 365.4 | 12.1 |
| Unocal | 552.0 | 480.0 | 860.0 | 380.0 | 398.0 | 7.5 | 7.0 | 1,681.0 | 22.6 | 51.2 | 10,133.0 | 8.5 | −68.0 | 529.0 | −14.8 |
| Westinghouse | 3,735.2 | 3,400.5 | 3,802.5 | 402.0 | 395.3 | 8.3/12.3 | 8.3/12.3 | 3,009.6 | 13.4 | 126.3 | 8,481.8 | 44.9 | 113.0 | 870.8 | 11.5 |
| Weyerhaeuser | 486.1[1] | 473.8[1] | 684.0[1] | 210.2[1] | 117.9[2] | 10.5[1] | 10.5[2] | 2,903.5 | 7.2 | 23.6 | 6,557.6 | 10.4 | 16.4 | 399.8 | 3.9 |
| Whirlpool | 455.7 | 407.5 | 663.8 | 256.3 | 118.1 | 7.5 | 7.5 | 1,349.8 | 19.0 | 49.2 | 2,202.3 | 30.1 | 6.6 | 295.4 | 2.2 |
| Xerox | 1,996.0 | 1,991.0 | 1,972.0 | −19.0 | 56.0 | 9.5 | 8.5 | 4,687.0 | −0.4 | 42.1 | 10,608.0 | 18.6 | 130.0 | 521.0 | 20.0 |

**Operating income:**
Income derived from actual operations of the company.

**Pension expense:**
The amount charged against income to fund benefit payments in a given year.

**Corporate assets:**
The value of all corporate assets, as shown on the balance sheet.

**Vested funding status as a percentage of net worth:**
A comparison of the vested funding status, either positive or negative, to a company's net worth.

**Notes:**
A - Procter & Gamble has a profit-sharing plan and no defined benefit plan.
M - Pension statistics as percentages of either a negative net income or negative operating profit are meaningless.
[1] - January 1, 1986
[2] - January 1, 1985
Source: Wright Investors' Service, Bridgeport, Conn.

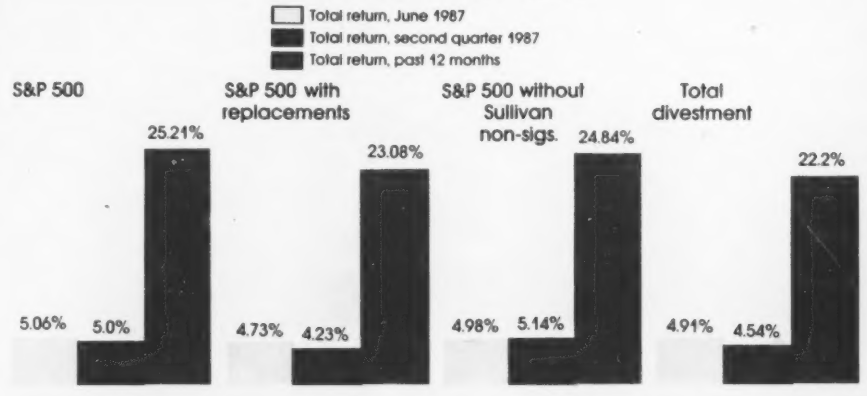
# Statistically speaking

The Statistically Speaking page offers an at-a-glance look at statistics for the latest quarter.

The Wilshire South Africa Free Index, Mercer-Meidinger bullet GIC data, First Chicago's MMI and the Russell 3000 returns will appear regularly.

Other data will be used as time and space allow.

## South Africa Free Index




Source: Wilshire Associates, Santa Monica, Calif.

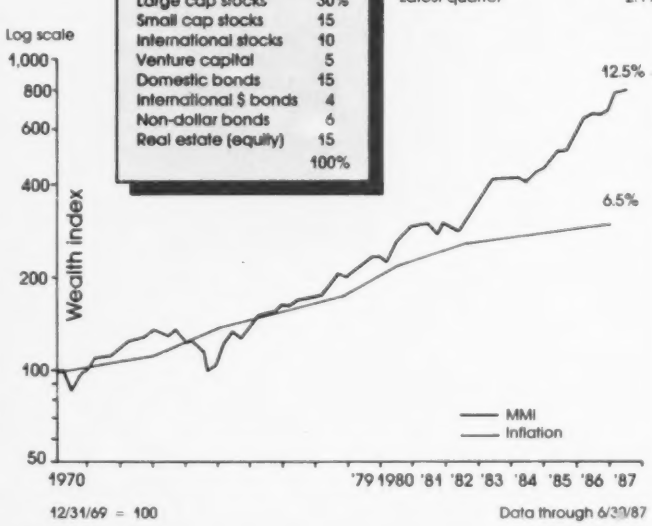
**S&P 500 with replacements:** replaces a South Africa-related company with next largest company in the industry. **S&P 500 without Sullivan non-signatories:** excludes 20 companies, no replacements. **Total divestment:** eliminates all companies with South Africa involvement, no replacements.

## Multiple Markets Index

The Multiple Markets Index is a benchmark for total portfolio returns. It is composed of eight asset classes used by retirement plan executives; it is calibrated to reflect the same degree of risk of the typical pension portfolio; it uses passive fixed policy weights; and it represents the individual asset classes by the broadest and most complete market return data available.

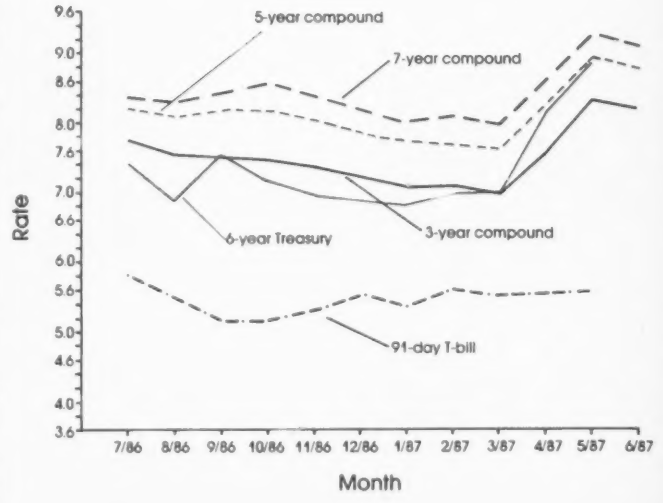
| | Weights |
|---|---|
| Large cap stocks | 30% |
| Small cap stocks | 15 |
| International stocks | 10 |
| Venture capital | 5 |
| Domestic bonds | 15 |
| International $ bonds | 4 |
| Non-dollar bonds | 6 |
| Real estate (equity) | 15 |
| | 100% |

| | |
|---|---|
| Five-year annualized return | 22.7% |
| One-year return | 18.4% |
| Latest quarter | 2.1% |




Source: First Chicago Investment Advisors, Chicago

## William M. Mercer-Meidinger-Hansen Inc. summary of average bullet GIC data vs. market yields ($ millions)




Source: William M. Mercer-Meidinger-Hansen Inc., Louisville, Ky.

## Second quarter 1987 returns

| | Russell 3000® | Russell 1000® | Russell 1000® by market capitalization | | | | Russell 2000® |
|---|---|---|---|---|---|---|---|
| | | | Large | Medium/large | Medium | Medium/small | |
| Technology | 4.9% | 5.8% | 6.8% | 8.4% | −0.5% | 5.6 | −1.2% |
| Health care | 2.8 | 3.5 | 4.2 | 4.4 | 2 | −5.1 | −2.6 |
| Consumer discretionary | 5.5 | 6.3 | 4.9 | 7 | 9.3 | 2.6 | 0.1 |
| Consumer staples | 4 | 4.2 | 4.1 | 5.2 | 1.8 | 2.6 | −1.5 |
| Integrated oils | 9.8 | 9.8 | 10.7 | 2.2 | 9.9 | 2.7 | −1.2 |
| Other energy | 7.8 | 7.2 | — | 8.2 | 5.5 | 8.6 | 11.5 |
| Materials and processing | 1.8 | 2 | 8.9 | 0.1 | −1.2 | 4.9 | 0.7 |
| Producer durables | 1.2 | 1.5 | −9.1 | 1.7 | 4 | 2.9 | −0.8 |
| Auto and transportation | 8.7 | 9.4 | 12.6 | 12.2 | 3.3 | 5.4 | −1.3 |
| Financial services | −2 | −1.6 | −1.4 | −1.3 | −1 | −3.2 | −6.7 |
| Utilities | −0.4 | −0.4 | 2.9 | −3.5 | −1.8 | −4.6 | 0.7 |
| Total | 3.4 | 3.8 | 6.1 | 3.6 | 2.1 | 0.9 | −0.7 |

Source: Frank Russell Co., Tacoma, Wash.

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Photos by John Kennard

*Robert Steves, assistant deputy comptroller for real estate investments, wants the New York State Common Retirement Fund to be a leader in equity real estate investment.*

# N.Y. fund . . .

*Continued from page 1*

to be invested in commingled funds.

All of the fund's current equity real estate allocation is in commingled funds.

Mr. Steves said there are no immediate plans to alter the fund's 8.6% allocation to mortgages and its 8.6% allocation to mortgage-backed securities.

He said the new targets follow a recently completed investment policy review by the fund's staff. Fund officials said the money for the increased real estate allocation initially will come from cash flow, but, eventually, the higher real estate allocation likely will lead to changes in the allocation to other asset classes.

The board of trustees is expected to approve the revised policy in September, he added. The manager screening process is scheduled to begin in August, and manager changes might come as early as October, he said.

State Comptroller Edward V. Regan "said to me the other day, 'The reason you're here is because real estate needs to be focused on more as a separate asset class.' (The increased allocation) represents his commitment to real estate investing," said Mr. Steves. Mr. Regan is sole trustee for the Common Retirement Fund.

Fund officials haven't decided on any other specific equity investments, but Mr. Steves said he wants to invest in what "other major funds" do, such as direct ownership of malls, office buildings and industrial properties.

He said officials are interested in specialized commingled funds, citing the TCW land fund and one invested only in rental housing.

# Expense cut . . .

*Continued from page 2*

crease to "changes made in the basic plan." He didn't elaborate.

Other corporations reporting an increase in pension expense are:

- Chrysler Corp., Detroit, Mich. — up 7.5% to $236.3 million from $219.8 million;
- ConAgra Inc., Omaha, Neb. — up 25% to $12 million from $9.6 million;
- CPC International Inc., Englewood Cliffs, N.J. — 10.7% to $34.1 million from $30.8 million;
- Dow Chemical Co., Midland, Mich. — 4% to $156 million from $150 million; and
- Ford Motor Co., Dearborn, Mich., 32.1% to $711.4 million from $538.6 million.

Although in many cases pension expense is plummeting, the trend likely will be slowed, if not counteracted by another change likely to take place — a decline in the discount rate, the assumed rate of return achieved by discounting present liabilities to future values.

"It will be interesting to see what will happen with the discount rate — it should be lowered (by many companies). This will increase their liabilities," said Mr. Veith.

"This goes against increasing the income. You're going to have a larger liability. "It may tend to undo some of the good results" of 1986.

While the pension expense reported by the 100 companies generally dropped, both pension assets and liabilities rose from 1985. The aggregate asset total in 1986 was $273.25 billion, up 17% from 1985's $233.5 billion; aggregate vested liabilities rose 13.2% to $195.22 billion from $172.5 billion.

Three corporations moved to underfunded from overfunded status, and five jumped to the overfunded category from underfunded.

The aggregate surplus for overfunded plans rose almost 22% to $78 billion from $64 billion in 1985.

Within the overfunded plans, 66 increased their assets and only 19 decreased, while still remaining overfunded. The biggest increases were reported by: American Brands Inc., New York, where surplus assets skyrocketed 19,618.8%, to $315.5 million from $1.6 million in 1985, and American Cyanamid Co., Wayne, N.J., where surplus assets leaped 706.4% to $88.7 million from $11 million.

Companies whose surplus assets declined significantly, even though their plans still are overfunded, include:

- Phillips Petroleum Co., Bartlesville, Okla., whose surplus decreased 85.5%. In 1986, the plan reported surplus assets of $111 million, compared with 1985's $766 million.
- General Electric Corp., Stamford, Conn., whose surplus dropped to $1.35 billion from $5.96 billion, a 77% decline.

Funding surpluses for 1986 ranged from $12.23 billion for IBM Corp. to $17.8 million for Occidental Petroleum Co. Deficits varied from Bethlehem Steel Corp.'s $1.21 billion to Baxter Travenol Laboratories Inc.'s $7 million. ■

# *Minnick to leave SEI post*

WAYNE, Pa. — James E. Minnick will leave SEI Funds Evaluation Services, and William R. Bullion will relinquish his marketing duties to concentrate on evaluation services.

Mr. Minnick, executive vice president of SEI Corp., will join Morgan Grenfell Capital Management Inc., New York, as an executive vice president.

He will head marketing efforts for Morgan Grenfell Capital Management, which manages $160 million in U.S. equity investments, and Morgan Grenfell Investment Services, which manages $4 billion in equity and fixed-income investments globally for North American clients.

Starting Jan. 1, he will begin marketing two new domestic products for Morgan Grenfell, in which the firm's international and domestic research are applied to domestic stock picking, said J. Richard Walton, president of Morgan Grenfell Capital Management.

Mr. Bullion, SEI's executive vice president and general manager of the consultant's evaluation services division in Wayne, is turning over his responsibility for marketing and consulting nationwide to Ed Loughlin, former senior vice president and Eastern region manager, who is being named senior vice president of account management.

Mr. Bullion's title will not change.

"I thought I was Superman for a year," said Mr. Bullion.

"Now I find it's normal to handle one job at a time."

Gilbert L. Beebower, formerly senior vice president, has been promoted to executive vice president in charge of a newly structured research division consisting of the advanced product concepts and investment policy planning groups.

Mr. Beebower will assume Mr. Bullion's research responsibilities.

In other SEI promotions, William B. Madden, formerly vice president, has been named a senior vice president and will continue to manage the investment policy planning group.

Keith McDowell, formerly vice president, has been promoted to senior vice president. Mr. McDowell still will be responsible for all professional development, such as training new and current employees.

Taking over for Mr. Loughlin, Robert Hudon, former vice president and Chicago-based branch manager-central regions, has been named a senior vice president and Eastern region manager.

He will be based in Wayne.

Replacing Mr. Hudon is John Angley, formerly an account executive in charge of institutional funds evaluation.

His previous duties will be reassigned among existing employees. ■

# 100 largest investment institutions ($ mils.)

For story on Top 100 institutions, see page 12.

| | |
|---|---|
| **1. Prudential Insurance** | **177,466** |
| Prudential Asset Mgmt. | 54,106 |
| Prudential-Bache | 24,623 |
| Jennison Associates | 20,300 |
| General Investment Mgmt. | 4,000 |
| PCM Int'l | 2,588 |
| Matrix Capital Mgmt. | 570 |
| Mercator | 350 |
| **2. American Express** | **140,021** |
| Shearson Lehman Brothers | 96,056 |
| Boston Co. | 16,609 |
| Lehman Mgmt. | 12,375 |
| Shearson Asset Mgmt. | 6,737 |
| Balcor | 5,844 |
| American Express Asset Mgmt. | 1,597 |
| Shearson Equity Mgmt. | 800 |
| Shearson Mgmt. | 244 |
| Convertible Securities Mgmt. | 170 |
| IDS Financial Services | 29,380 |
| IDS Mutual Fund Group | 15,589 |
| IDS Equity/Fixed Income | 3,210 |
| IDS Int'l | 871 |
| IDS Trust | 674 |
| IDS Growth Spectrum | 182 |
| IDS Equity Mgmt. Services | 31 |
| American Express Bank | 8,445 |
| Travel-Related Services | 6,126 |
| Other subsidiaries | 14 |
| **3. Aetna Life & Casualty** | **104,556** |
| Federated Investors | 44,356 |
| **4. Metropolitan Life** | **103,500** |
| Metropolitan Life | 81,581 |
| State Street Research | 12,991 |
| Other subsidiaries | 8,928 |
| **5. Equitable Life Assurance** | **102,760** |
| Alliance Capital Mgmt. | 31,140 |
| Equitable Capital Mgmt. | 29,201 |
| Equitable Real Estate Investment Mgmt. | 24,634 |
| Equitable Mortgage Resources | 2,846 |
| Equitable Agri-Business | 2,015 |
| Wood, Struthers & Winthrop | 1,209 |
| Sprout Group | 227 |
| **6. Merrill Lynch** | **93,000** |
| Merrill Lynch Asset Mgmt. | 93,000 |
| **7. FMR Corp.** | **65,120** |
| Fidelity Mgmt. & Research | 59,610 |
| Fidelity Mgmt. | 5,510 |
| **8. Wells Fargo** | **63,783** |
| Wells Fargo Investment Advisors | 52,166 |
| Wells Fargo Realty Advisors | 720 |
| **9. J.P. Morgan** | **61,710** |
| J.P. Morgan Investment Mgmt. | 49,703 |
| Morgan Guaranty Trust | 12,007 |
| **10. Bankers Trust** | **56,420** |
| **11. First RepublicBank Trust** | **55,000** |
| **12. TIAA-CREF** | **54,300** |
| TIAA | 27,900 |
| CREF | 26,400 |
| **13. John Hancock Financial** | **54,051** |
| John Hancock Freedom Securities | 5,200 |
| John Hancock Advisors | 2,900 |
| Independence Investment | 2,500 |
| John Hancock Properties | 665 |
| John Hancock Venture Capital | 400 |
| John Hancock Capital Growth | 116 |
| John Hancock Realty Services | 70 |
| **14. The Travelers** | **51,900** |
| Travelers Insurance | 36,800 |
| Keystone Mutual Fund | 9,700 |
| Travelers Investment Mgmt. | 2,200 |
| Other subsidiaries | 3,200 |
| **15. Citicorp** | **51,659** |
| Citicorp Investment Mgmt. | 19,953 |
| **16. Mellon Bank** | **50,500** |
| Mellon Capital Mgmt. | 15,000 |
| Mellon Bond Associates | 14,850 |
| Mellon Equity Associates | 2,377 |
| Franklin Portfolio Associates | 2,173 |
| Mellon Real Estate | 1,100 |
| Mellon-Pictet Int'l | 1,043 |
| Other subsidiaries | 13,957 |
| **17. CIGNA** | **45,500** |
| CIGNA Investment | 42,400 |
| CIGNA Int'l Advisors | 3,100 |
| **18. Kemper** | **44,000** |
| Kemper Financial Services | 44,000 |
| **19. PNC Financial** | **41,100** |
| Provident Group | 30,900 |
| Pittsburgh Nat'l | 5,700 |
| Citizens Fidelity | 2,300 |
| Northeastern Bank | 1,500 |
| Marine Bank | 700 |
| **20. California Public Employees** | **40,720** |
| **21. Dreyfus** | **40,000** |
| Dreyfus Mgmt. | 1,823 |
| **22. State Farm Group** | **38,100** |
| State Farm Mutual Automobile | 23,600 |
| State Farm Life | 7,700 |
| State Farm Fire & Casualty | 6,800 |
| **23. The New England** | **37,593** |
| Loomis, Sayles | 20,168 |
| Copley Real Estate Advisors | 6,805 |
| Back Bay Advisors | 3,721 |
| **24. Scudder, Stevens & Clark** | **36,079** |
| **25. Primerica** | **35,735** |
| American Capital Mgmt. | 17,230 |
| RCM Capital Mgmt. | 11,000 |
| Smith Barney | 7,500 |
| **26. Sears, Roebuck & Co.** | **34,975** |
| Allstate Insurance | 17,100 |
| Allstate Property & Casualty | 12,930 |
| Allstate Life | 4,170 |
| Coldwell Banker | 775 |
| **27. Chase Manhattan** | **33,500** |
| Chase Investment | 19,300 |
| Chase Manhattan Bank | 10,100 |
| Chase Lincoln | 4,100 |
| **28. New York Life** | **33,344** |
| MacKay-Shields Financial | 4,300 |
| **29. Capital Group** | **33,239** |
| Capital Research & Mgmt. | 15,800 |
| Capital Guardian & Trust | 14,900 |
| Capital Int'l S.A. | 1,700 |
| Capital Int'l Ltd. | 646 |
| Capital Guardian Trust/Nevada | 193 |
| **30. Marsh & McLennan** | **32,451** |
| Putnam Cos. | 32,451 |
| **31. Franklin Funds** | **32,240** |
| Franklin Advisors | 32,000 |
| Property Resources | 75 |
| Franklin Asset System | 70 |
| Burr Wilson | 58 |
| Franklin Mgmt. | 19 |
| Pacific Union Bank | 18 |
| **32. N.Y.C. Retirement Systems** | **32,000** |
| **33. N.Y. State Common Fund** | **31,533** |
| **34. Vanguard Group** | **30,000** |
| **35. Wellington, Thorndike Doran, Paine & Lewis** | **29,590** |
| Wellington Mgmt. | 817 |
| **36. General Electric** | **28,000** |
| **37. Northern Trust** | **27,023** |
| Northern Trust Corporate Group | 12,942 |
| Northern Trust of Florida: | |
| Miami | 1,827 |
| Sarasota | 955 |
| Naples | 503 |
| Palm Beach | 279 |
| Northern Trust/Arizona | 812 |
| Other subsidiaries | 9,705 |
| **38. Manufacturers Hanover Trust** | **26,200** |
| MH Investment Corp. | 18,600 |
| MH Investment Counsel | 2,100 |
| **39. State Street Bank of Boston** | **26,100** |
| **40. E.F. Hutton** | **26,000** |
| Hutton Capital Mgmt. | 1,550 |
| Hutton Direction | 1,200 |
| Hutton Investment Mgmt. | 830 |
| Hutton Government Securities | 370 |
| **41. IBM** | **25,865** |
| **42. Lomas & Nettleton Financial** | **24,000** |
| **43. Irving Trust** | **22,000** |
| **44. MCorp** | **21,900** |
| **45. T. Rowe Price** | **21,600** |
| **46. Citizens & Southern** | **21,207** |
| C&S Georgia | 10,700 |
| C&S Florida | 5,000 |
| C&S South Carolina | 3,700 |
| C&S Trust Advisors | 5 |
| C&S Investment Advisors | 2 |
| **47. Mutual of N.Y. (MONY)** | **20,817** |
| North American Mortgage | 2,750 |
| Evaluation Associates | 1,311 |
| Unified Mgmt. | 328 |
| Other subsidiaries | 347 |
| **48. N.J. Division of Investment** | **20,813** |
| **49. Lincoln Nat'l** | **20,800** |
| Lincoln Nat'l Pension | 4,600 |
| **50. N.Y. State Teachers** | **20,555** |
| **51. California State Teachers** | **20,296** |
| **52. Pacific Mutual Life** | **19,911** |
| Pacific Investment Mgmt. | 13,470 |
| Pacific Mutual Real Estate Advisors | 288 |
| Other subsidiaries | 273 |
| **53. Xerox** | **19,900** |
| Xerox Financial Services | 9,300 |
| **54. Van Kampen Merritt** | **19,430** |
| **55. Morgan Stanley Group** | **18,900** |
| Morgan Stanley Asset Mgmt. | 10,000 |
| **56. Nationwide Insurance Group** | **18,430** |
| Nationwide Mutual | 6,500 |
| Nationwide Life | 6,500 |
| Wausau Property & Casualty | 2,700 |
| Nationwide Fire | 1,100 |
| Wausau Life | 600 |
| Other subsidiaries | 1,030 |
| **57. Massachusetts Mutual Life** | **18,000** |
| **58. Sun Life** | **18,000** |
| Mass. Financial Services | 15,000 |
| **59. Texas Teachers** | **18,000** |
| **60. PaineWebber** | **17,868** |
| Mitchell Hutchins Asset Mgmt. | 17,868 |
| **61. Wilmington Trust** | **17,849** |
| **62. First Interstate Bancorp** | **17,844** |
| First Interstate/California | 4,186 |
| First Interstate/Denver | 3,651 |
| First Interstate/Oregon | 2,154 |
| First Interstate/Oklahoma | 2,148 |
| First Interstate/Arizona | 1,984 |
| First Interstate/Washington | 1,750 |
| First Interstate/Nevada | 934 |
| First Interstate/Utah | 527 |
| First Interstate/Idaho | 115 |
| First Interstate/Fort Collins, Colo. | 105 |
| First Interstate/Casper, Wyo. | 78 |
| First Interstate/Santa Fe, N.M. | 41 |
| First Interstate/Leah County, N.M. | 33 |
| First Interstate/Calispell, Mont. | 26 |
| First Interstate/Roswell, N.M. | 13 |
| First Interstate/Englewood, Colo. | 11 |
| First Interstate/Great Falls, Mont. | 8 |
| First Interstate/Laramie, Wyo. | 5 |
| **63. United Asset Mgmt.** | **17,824** |
| Cooke & Bieler | 2,478 |
| Investment Counselors of Md. | 2,001 |
| Northern Capital Mgmt. | 1,272 |
| Hagler, Mastrovita & Hewitt | 1,433 |
| Hellman, Jordan Mgmt. | 1,274 |
| Analytic Investment Mgmt. | 1,242 |
| Fiduciary Mgmt. Associates | 483 |
| Nelson Benson & Zellmer | 401 |
| Chicago Asset Mgmt. | 322 |
| **64. Smith Breeden Associates** | **17,457** |
| **65. American General Insurance** | **17,200** |
| **66. Chemical New York** | **16,917** |
| Chemical Bank New York | 6,600 |
| Favia, Hill & Associates | 5,442 |
| The Portfolio Group | 2,193 |
| Investment and Capital Mgmt. | 1,389 |
| Van Deventer and Hoch | 1,003 |
| Alexander, Scriver and Associates | 179 |
| Chemical Trust Co./Florida | 111 |
| **67. CNA Insurance** | **16,642** |
| Continental Assurance | 6,154 |
| **68. BankAmerica** | **16,400** |
| **69. Security Pacific** | **16,193** |
| Pacific Century Advisors | 5,520 |
| Financial Mgmt. Trust Services | 5,370 |
| Security Investment Managers | 4,828 |
| Munder Capital Mgmt. | 423 |
| Atlantic Century Advisors | 52 |
| **70. Wisconsin Investment Board** | **16,181** |
| **71. JMB Realty** | **16,000** |
| JMB Institutional Realty | 2,000 |
| **72. E.I. du Pont de Nemours** | **15,700** |
| **73. Delaware Mgmt.** | **15,600** |
| Delaware Investment Advisors | 11,400 |
| Delaware Mutual Funds | 4,200 |
| **74. Michigan State Employees** | **15,300** |
| **75. Integrated Resources** | **15,000** |
| **76. Fidelcor** | **14,969** |
| Fidelity Bank | 14,200 |
| Merchants | 634 |
| Merchants North | 135 |
| **77. Ohio Public Employees** | **14,368** |
| **78. U.S. Trust** | **14,309** |
| U.S. Trust/New York | 13,561 |
| U.S. Trust/California | 415 |
| U.S. Trust/Florida | 333 |
| **79. Fiduciary Trust** | **14,013** |
| **80. Harris Bancorp** | **13,979** |
| Harris Trust & Savings | 13,100 |
| Harris Trust/Arizona | 449 |
| Harris Trust/Florida | 171 |
| First Nat'l Bank/Barrington, Ill. | 145 |
| Harris Bank/Winnetka, Ill. | 66 |

*Jonathan Taylor recognizes the appeal of pension assets.*

# Western firms . . .

*Continued from page 3*

York-based money manager.

Chase Investors Management Corp., New York, runs Japanese institutional accounts through joint ventures with two Japanese firms. For Daiwa International Capital Management, New York, Chase manages an $80 million small-capitalization U.S. equities fund, while for Yamaichi, Chase runs a $147 million double-hedging bond fund. Chase also directly runs a $40 million separate account for an unnamed Japanese financial institution.

• Insurance companies and independent investment firms also are breaking through the barriers and entering the market. CIGNA's Tokyo subsidiary runs $525 million for three Japanese subsidiaries, while Alliance Capital Management International's Tokyo office manages $232 million in Japanese assets and has just announced an agreement to invest in non-Japanese markets for Mitsui Investment Management Co. clients. In exchange, Alliance will train Mitsui personnel in the management of diversified international portfolios.

• Leland O'Brien Rubinstein Associates Inc. recently licensed its dynamic hedging technology to Nikko, primarily for use in the Japanese market, and is negotiating with other Japanese firms, said Scott Grannis, vice president at the Los Angeles-based money manager. ■

**Multiple manager funds**

| Japanese sponsor | Managers | Assets ($ mils.) |
|---|---|---|
| Daiwa | Daiwa Int'l Capital; Dreyfus | 93 |
| Daiwa | Baring Int'l Investment; Daiwa Int'l Capital | 158 |
| Daiwa | Daiwa Securities; IDS Equity/Fixed-Income | 370 |
| Daiwa | Banque Nationale de Paris; Daiwa Investment Trust.; MIM Britannia | 433 |
| Nikko | Banque Indosuez; G.T. Capital; Robeco; Scudder, Stevens & Clark | 650 |
| Taiyo | Scudder, Stevens & Clark; other | 320 |
| Yamaichi | MIM Britannia; Societe General | 251 |
| TOTAL | | 2,275 |

# U.S. mentors . . .

*Continued from page 3*

investors approach the market, leading the Japanese to explore heavily quantitative techniques.

The Japanese "don't understand how we manage stocks in this country but they do understand a systematic approach," said William Jacques, a partner at Martingale Asset Management, Boston.

Michael Phillips, director of international consulting for Frank Russell Co., Tacoma, Wash., agreed. "The Japanese are more comfortable with mechanistic" approaches than eclectic ones, he said.

For example, observers cite tremendous interest in portfolio protection techniques by Japanese investors, and expected such strategies to grow enormously as the incipient Japanese futures market develops.

"There's definitely a great deal of interest in portfolio insurance-type of strategies" in Japan, said Roger Sayler, managing director at J.P. Morgan Investment Management Inc., New York.

But the Japanese not only want to use foreign investment expertise, they want to learn the business. To achieve this, the Japanese have placed trainees in U.S. counterparts.

"A large amount of training of their people has been a quid pro quo," said Andrew Rudd, president of BARRA, the San Francisco-based consulting firm that established a Tokyo office last year.

Hartford, Conn.-based CIGNA Corp. has trained employees of Sumitomo Fire & Marine Insurance Co. Ltd., Tokyo, a CIGNA client, in various aspects of insurance for the past 25 years. Now, Sumitomo's first investment management trainee just finished a 12-month program at CIGNA Investment Group, studying fixed-income, real estate and equity investments and overall portfolio management.

At Batterymarch, Mr. Williams estimates more than 50 Japanese firms have sent delegations to see the firm's offices in the past few years. They come as part of study groups charged with a broad agenda of learning the U.S. capital markets and business climate, the pension fund industry, computer applications and the latest investment techniques, he said.

The concern of some, of course, is that the Japanese eventually will become as good or better than foreigners at their own game.

While noting Merrill Lynch, Pierce Fenner & Smith Inc. had worked with Nomura Securities Co. Ltd., Tokyo, in the 1960s, only to be surpassed later by the Japanese firm as the world's largest brokerage firm, "the relationship helped both, and that's the way we feel about it," said Gordon L. Bowyer, president and chief investment officer, Credit Suisse Asset Management, New York.

"We're teaching Mitsui (Bank, Tokyo) while we're making small inroads. It's important to be there. If we're not, somebody else will be," he said.

"We don't feel it's arming the competition, we feel it's building the relationship," said David Cripps, vice president and general manager-international investment department, Manufacturers Hanover Investment Corp., New York.

While MHIC has trained Japanese managers in the past, it has no formal arrangement to do so with any one organization.

But the Japanese still have a long way to go, some observers believe. While they may be picking up ultramodern computer-driven investment techniques, the conservatively oriented Japanese still are a long way from understanding contemporary notions of risk.

"Three or four years ago, you couldn't get an insurer to understand what a time-weighted return was," said George Curuby of Curuby & Co., a Tokyo-based consultant to U.S. firms establishing Japanese offices.

In the past, Japanese firms typically asked their money managers to meet an absolute rate of return while providing no reward if the managers beat the target — while facing potential loss of the account if they took on additional risk.

While the Japanese are expanding their foreign investments, they "have yet to understand that diversifying overseas reduces volatility and risk," Mr. Curuby said.

Even though some U.S. money managers concede they eventually may lose their domestically invested Japanese business to local investment managers, they say they will find niches in the international markets in such specialized areas as mortgage-backed securities.

In addition, others believe the heavy reliance on investment technology by the Japanese may be misguided. As Mr. Curuby suggested, the Japanese are "interested in taking the human element out of the investment process."

"They think it's a game of getting the technology together," but fail to see the need for making innovations in the model, said Anne Cabot, manager of marketing for Sanyo Securities Co. Ltd., Tokyo.

"It's going to take the Japanese a long time to beat us at our game," said Scott Grannis, vice president at Leland O'Brien Rubinstein, Los Angeles. ■

*— By Joel Chernoff and Marlene Givant*

# Putnam fund is targeting bonds

BOSTON — The Putnam Management Co. Inc. is introducing a mutual fund consisting mainly of global government bonds.

The fund will strive for high current income by generally investing in bonds of at least three countries. Investments may span Western Europe, the Pacific Basin and North America. A portion of assets might be invested in investment-grade U.S. corporate bonds, foreign bonds rated A or better or stocks, but some 65% will be in high-yield government bonds.

Managers will hedge the portfolio using foreign exchange and futures and options transactions.

Anthony R. Regan, chief of international investments, and Stephen Bartow, senior international portfolio manager, will direct the trust. ■

# *Tokkin offer tax saving*

**By Marlene Givant**

"Tokkin" funds — the institutional investment vehicle most open to foreign management — appeal to Japanese businesses largely because setting up the corporate liquidity funds, which now hold $93 billion, allows the companies favorable tax treatment and anonymity in their investments.

Japanese companies typically have vast stock holdings at low book values relative to market values; if the companies were to sell the stocks, they would record significant capital gains.

One advantage of setting up a tokkin is to minimize taxable income. Under Japanese law, if a company makes additional purchases of a stock with low book value through a tokkin, taxable gains accrued at the subsequent sale of the stock are less than if the company had purchased the shares directly.

In addition, once a year, when a company closes the books on its tokkin, it may convert into dividends any capital gains achieved by the accounts, thereby recognizing capital gains as income.

Another advantage is that registration of tokkin securities is in the name of the trustee, affording the client anonymity. This is a plus for cultural reasons — a company can sell its stock in a company with which it does business, without insulting the party.

Investments of the tokkin are broadening beyond Japanese government fixed income, enhancing opportunities for non-Japanese managers to sell their equity expertise.

While Japanese government bonds historically have been popular investments for the funds, the portion of tokkin assets invested in stocks reached 33.7% as of March 31, compared with 19.9% as of Dec. 31, 1984, according to Takaaki Yoda, a chief analyst at Daiwa Securities Co. Ltd., Tokyo.

But any gains made by foreign firms may be short-lived.

Less than 5% of tokkin assets are invested abroad and investment advisory companies in general manage less than half of outstanding tokkin assets, Mr. Yoda said. The rest are managed by the investors.

Investment of tokkin funds on an in-house basis has grown as institutional investors gain expertise in equities transactions.

"The direct management of tokkin accounts by institutional investors should increase in the future, as employees who have been sent to investment advisory companies for training gain experience in portfolio management and investment strategies," he added. ■

# 100 largest investment institutions

(Continued from page 49)

| | |
|---|---|
| Harris Bank/Naperville, Ill. | 33 |
| Harris Bank/Roselle, Ill. | 11 |
| Harris Bank/Hinsdale, Ill. | 4 |
| **81. The Hartford Group** | **13,800** |
| Hartford Property and Casualty | 7,600 |
| Hartford Life | 4,500 |
| Hartford Investment Advisors | 1,700 |
| **82. Bank of Boston** | **13,702** |
| First Nat'l Bank of Boston | 8,000 |
| Eagle Investment | 4,500 |
| Dewey Square Investors | 3,500 |
| Rhode Island Hospital Trust | 3,200 |
| Bank of Boston/Connecticut | 1,400 |
| Casco Northern Bank | 477 |
| Other subsidiaries | 625 |
| **83. First Chicago** | **13,600** |
| First Chicago Investment | 9,600 |
| First Nat'l Bank of Chicago | 4,000 |
| **84. Ohio Teachers** | **13,100** |
| **85. Criterion Group'** | **12,516** |
| Criterion Investment Mgmt. | 8,700 |
| Criterion Funds | 3,800 |
| Criterion Investments | 16 |
| **86. Bank of New York** | **12,287** |
| Beacon Capital Mgmt. | 750 |
| **87. Ameritech** | **12,072** |
| **88. Bank of New England** | **12,040** |
| Connecticut Bank and Trust | 4,000 |
| Constitution Capital Mgmt. | 3,300 |
| Bank of New England/Boston | 2,900 |
| Bank of New England/West | 917 |
| Maine Nat'l | 897 |
| Securities Nat'l | 33 |
| **89. AmeriTrust** | **11,848** |
| AmeriTrust | 11,177 |
| First Bank of Elkhart and Union Bank & Trust/Kokomo, Ind. | 669 |
| **90. Continental Illinois** | **11,808** |
| **91. Brown Brothers Harriman** | **11,702** |
| **92. Neuberger and Berman** | **11,547** |
| **93. Miller, Anderson and Sherrerd** | **11,500** |
| **94. American Nat'l Bank** | **11,025** |
| **95. Minnesota State Board** | **10,800** |
| **96. Valley Nat'l** | **10,715** |
| **97. Fayez Sarofim** | **10,700** |
| FS Realty Partners | 53 |
| **98. Trust Co. of the West** | **10,700** |
| TCW Asset Mgmt. | 7,000 |
| **99. Pennsylvania School Employees** | **10,593** |
| **100. Boatmen's Bankshare** | **10,400** |
| Boatmen's/St. Louis | 7,500 |
| Boatmen's First Nat'l Bank/Kansas City | 2,600 |
| Boatmen's/Springfield, Mo. | 292 |

' as of March 31, 1987

# Foreign registration plan hanging on

By Nicky Robertshaw

WASHINGTON — A proposal to require registration of domestic real estate and business interests held by foreign investors is still alive despite its defeat in the Senate.

Although rejected as an amendment to the Senate trade bill, Senate Commerce Committee Chairman Ernest F. Hollings, D-S.C., pledged his committee would hold hearings promptly if the proposal were introduced as an independent bill.

And despite the defeat of the amendment, sponsored by Sen. Tom Harkin, D-Iowa, registration of foreign investors will still be considered as the bill goes to conference, because a similar measure is alive in the House (*Pensions & Investment Age*, May 18).

Separately, the Senate approved an amendment to the trade bill — known as the Omnibus Trade and Competitiveness Act of 1987 — requiring Senate committees to assess the economic impact of legislative proposals mandating employers to provide employee benefits.

The Senate completed work on the trade bill, but no specific date had been set at press time for conference action.

The House bill provision would require all foreign investors who acquire more than 5% of a privately held U.S. business or a real estate property valued at more than $5 million or companies with annual sales exceeding $10 million to register with the federal government basic information such as their identity and nationality.

Any equity investment in a U.S. company valued at more than $50 million also would have to be reported.

Tougher reporting rules would apply where the foreign interest exceeds 25% of the total ownership of a business with more than $20 million in assets or gross sales exceeding $20 million.

The rules in the defeated Senate amendment were similar. The Senate measure would not have affected securities investments, Treasury bonds, bank deposits and other such investments, but only real estate and business interests, Mr. Harkin said.

For publicly traded companies, the Harkin amendment would have required disclosures to the extent required by the Securities and Exchange Commission, according to an aide to Mr. Harkin. He added the senator has not yet decided whether to introduce a free-standing version of the bill.

In arguing for his amendment on the Senate floor, he pointed out foreign capital investments in the U.S. economy have doubled in the past three years to $1.3 trillion, with about $250 million of it used to purchase interests in U.S. manufacturing firms, farmland and other assets.

The proposal is controversial, because many experts, including former Federal Reserve Chairman Paul Volcker, argue disclosure requirements would discourage foreign investments.

"I am troubled by the prospect that taken together these provisions, if enacted, could have a seriously adverse affect on foreign investments in the United States at a time when our economy remains highly dependent on the inflow of savings from abroad to finance our budget deficit and to sustain the overall rate of investment in the U.S. economy," Mr. Volcker said in an April 21 letter to House Energy and Commerce Committee Chairman John M. Dingell, D-Mich.

While conceding points raised by Mr. Volcker and others, Mr. Harkin said the disclosure required under his proposal is no more stringent than that in other countries where U.S. entities invest their assets. He added "the short-term advantages of foreign investment should not prevent us from considering the potentially long-term effects on our economy and our national security" that might result from lack of information about investors.

Mr. Harkin's amendment was defeated 83 to 11, although an aide said it was because lawmakers didn't want the provision added to the trade bill, not because they were opposed to disclosure.

Sen. John C. Danforth, R-Mo., called the measure "veto-bait" that would endanger the entire trade bill. He pointed to strong opposition by the Reagan administration and the business community.

An amendment to the trade bill that did survive Senate action was a provision sponsored by Sen. Dan Quayle, R-Ind., that would require Senate committees to assess the economic impact of legislative proposals mandating employee benefits.

Under the proposal, any time a bill that would require additional employee benefits is considered in committee, there would have to be an objective analysis of its potential impact on employers, the economy in terms of international competitiveness and employees. ■

# Convertible . . .

*Continued from page 1*

of the conversion ratio to adjustment of the coupon to a "put" on change of control at the redemption price plus accrued interest.

Although the number of problem cases is minimal compared with the number of convertible issues, some investors contend they won't participate without protective clauses.

Others held out in some takeover situations until they got a better deal.

The lobbying campaign for protection began after convertible holders lived through one too many "nightmares of the convertible," said Patricia Peters, vice president, J.P. Morgan Investment Management Inc., New York, which manages about $900 million in convertibles.

"I have mixed feelings. We're not in a risk-free business. But when it happens to me, I don't like it," she said.

Although convertible investors began to get hit in the mid-1970s, the takeover and restructuring frenzy of recent years brought the issue to the forefront. Most of the companies are small to medium-size issuers (*see accompanying chart*).

Investors complain they lose an important component of their investment — the opportunity to take advantage of stock appreciation — without compensation. Convertible investors usually accept lower coupon interest than that offered by straight bonds in exchange for the conversion opportunity.

In addition, those that buy convertible bonds of corporations that restructure and create highly leveraged balance sheets also can end up holding bonds that pay coupon rates below those commensurate with the companies' changed creditworthiness.

"It's a very important issue, and we are pushing for protection selectively. We look closely at the terms and conditions. It's our fiduciary duty. Eventually we expect the language to become boilerplate, like call protection," said a corporate pension executive who oversees convertible investments.

Participants estimate the convertibles market has experienced explosive growth, to $70 billion now from $40 billion in 1985.

Investor interest in convertibles is rising partly because the securities increasingly are seen as a low-risk way to participate in the bull market.

As convertibles have grown in importance, the clout of convertible managers has improved. Most underwriters say they are responding to the concerns of convertible investors, although all parties agree there is still some resistance from issuers.

"We have begun to insist on language. Both investment bankers and companies have become more willing to include the type of language," said Arthur Berry, vice president, Alliance Capital Management Corp., New York, and president of Alliance Convertible Fund. Alliance Capital Management has more than $500 million in convertibles.

Thomas Revy, managing director of Froley, Revy, has asked underwriters to change the terms to the lower of the takeover price or the conversion price. Another option, he said, is to compensate for the loss of equity participation by increasing the coupon to 150% of the original.

Howard Marks, managing director, Trust Co. of the West, has suggested a put on change of control or other significant events, perhaps at the redemption price plus accrued interest.

That provision was included in recent issues by Freuhauf and Burlington, both underwritten by Kidder Peabody & Co., New York.

"Like any other feature, we will have to assess its value relative to its cost to us," Mr. Marks said.

Mike Rodier, assistant portfolio manager of Wellington Management, and Mr. Calamos of Noddings-Calamos don't think bondholders should have to pay to be treated fairly. Mr. Rodier supports strong protection, at least in the critical first few years after a convertible has been issued.

"The only people who have to fear this are people who anticipate this kind of change. I don't expect to pay extra for this," Mr. Rodier said.

"It is merely keeping us whole. Most issuers need the financing. If they are raising the money under false premises, they deserve to pay for it."

W. Gregory Robertson, executive vice president and director of the investment banking division at Thomson McKinnon Securities Inc., New York, said his firm is encouraging issuers to adopt protective clauses. A protective provision was included in the $30 million convertible issue Thomson McKinnon underwrote in December for Jacobson Stores Inc., a Jackson, Mich.-based specialty department store chain. For a period of five years, each bondholder can put his bonds back to the company at the then-current optional redemption price if there is a change of control.

Rick Nelson, vice president and convertible securities analyst at Kidder Peabody, acknowledged many companies are wary of including the protective clauses. For some, the "indigestion pill" characteristics of the provisions make it possible to sell the idea to the issuer, he said. Kidder is adding the protective clauses when issuers and investors ask for it.

"Frankly I'm surprised more clients aren't asking for it," he said. "I don't think it will become standard unless there's more damage suffered in the marketplace. In this bull market, converts are participating and still making an above-average return." ■

## Convertible holders hard-hit in takeovers

| Issue | Coupon/ maturity | Conversion price | Takeover price/ takeover co./ date | $1,000 bond worth/convertible into % of debentures | Bond price prior to takeover announcement |
|---|---|---|---|---|---|
| Knoll Int'l | 9.88%* 8/15/2003 | $19.20 | $12 General Felt Winter 1987 | $625 | $880 |
| Lieberman Enterprises | 7.62 8/15/2005 | 21 | $20.50 Carolco Pictures in negotiations | 976.19 | NA |
| Big Three Industries | 8.5 4/15/2006 | 43.50 | $29 Air Liquids Fall 1986 | 666.70 | 980 |
| Energy Factors | 8.25 12/15/2005 | 24.75 | $17.25 Sithe Energies proposal terminated Summer 1987 | 696.96 | 870 |
| Miles Laboratories | 5.25 4/1/1994 | 65 | $47 Rhinechen Labs Winter 1979 | 722.86 | NA |
| Dorchester Gas | 8.5 12/1/2005 | 34.48 | $22.50 Damson Oil Summer 1984 | 625.55 | 720 |
| Healthcare USA | 8.25 6/30/2003 | 19.80 | $13.50 Maxicare Fall 1986 | 681.82 | 765 |
| Fibreboard | 6.75 10/15/1988 | 18.50 | $17 Louisiana Pacific June 1978 | 918.15 | NA |
| Fibreboard | 4.75 10/15/1993 | 31.25 | $17 Louisiana Pacific June 1978 | 544 | NA |
| Sprague Electric | 4.25 10/1/1992 | 45.50 | $27.50 G.F. Technologies Spring 1979 | 604.40 | NA |
| H.J. Wilson | 10.5 5/15/2002 | 21 | $20 Service Merchandise Spring 1985 | 952.38 | 950 |
| Van Dusen Air | 10.5 8/1/2005 | 20 | $21 APL Limited Partnership Winter 1986 | 1,050 | NA |
| Fruehauf | 8.5 4/15/2011 | 50 | $49.50 Asher Edelman Fall 1986 | 1,085** | NA |
| Grunthal Financial | 7.5 6/5/2011 | 10 | $9.50 Home Group Summer 1987 | 950 | 1,000 |
| Mayflower | 7.88 3/15/2006 | 32.50 | $29.25 Laidlaw Transportation Summer 1986 | 900 | 1,000 |
| Crazy Eddie | 6 6/15/2011 | 23.13 | $8 Entertainment Marketing pending | 345.94 | 620 |

* Bondholders' coupon raised to 9.875% from 8.125%

** Bonds would have been convertible into $990 of debt, but poison pill raised value to $1,085

Sources: Froley Revy Asset Mgmt. Inc., Los Angeles; Noddings-Calamos Asset Mgmt. Inc., Oak Brook, Ill.

# Execs say CEO job elusive

Most corporate pension executives believe the pension management slot opens up promotion to general financial management at their companies, but an even larger number believes the chief executive's job is beyond their reach.

These are among the key findings of a career expectations survey sent by *Pensions & Investment Age* to 500 corporate pension executives. Complete responses were returned by 153 executives.

Sixty-one percent of the respondents believed the pension area was a good place from which to move into general financial management, but 74.5% believed they could not advance to chief executive.

And most of those who thought it was possible to rise to chief executive were either chief financial officer or treasurer of their companies already. Most of the lower-ranked pension executives had set their sights lower.

Even one treasurer commented it was not possible to rise to the rank of chief executive officer if an executive was too long in the pension position.

When asked what they expected their next career move to be, the largest number, 25.5%, said they expected to move into a general financial management position with their current employer; 10.5% said they expected to move to a general financial management position with another company.

However, 11.5% hoped to move to a client liaison position with a money management firm, 4.5% hoped to move to a portfolio management position at a money management firm, and 11.5% hoped to move to an investment management consulting firm.

On average, the executives expected to take their next career steps in 2½ years.

The relatively large number of executives planning to leave the corporate side of the business for the investment management/consulting side reflected considerable job dissatisfaction.

While 28 of the pension executives responding were entirely content with their jobs — especially those who had achieved the rank of chief financial officer or treasurer — the remainder had a wide range of dissatisfactions:

- salary too low for the amount of responsibility;
- too much bureaucracy;
- lack of visibility with corporate top management — out of corporate mainstream;
- lack of importance given to the pension area;
- lack of clear promotion path;
- insufficient staff;
- responsibility without sufficient authority; and
- politics within the organization.

Each of these complaints was mentioned by several pension executives.

One executive commented the greatest frustration was the difficulty of convincing "executive management of the importance of the (pension management) program as compared with those functions which are revenue-producing."

Another executive with a pension fund in the $1 billion to $5 billion range said the greatest source of dissatisfaction was "low pay with significant risk of not being promoted within the company."

Another said the greatest source of dissatisfaction was the "chairman of the investment committee doesn't exhibit enough interest in the activity."

The most common titles among the respondents began with "director" (30) or "manager" (26). Twenty-one were treasurers, 20 were assistant treasurers and the remainder held a variety of titles including chief financial officer, vice president of administration and financial analyst.

Overall, the respondents were well-educated and had significant experience. More than half of them had master's of business administration degrees, 12 had other master's degrees, four had doctorates and three, law degrees.

Interestingly, those with MBAs as their highest level of education were, on average, three years younger than the respondents whose highest level of education was a bachelor's degree.

The average length of career of the respondents was 19 years, the average length of service with the current company was 13.2 years and they had held their current responsibilities for an average of 4.8 years.

Only 32% of the respondents had responsibility for internal management of pension assets, with the average amount managed internally $731 million.

Of the respondents, 20.1% were with funds with less than $250 million; 27.9% were with funds between $250 million and $500 million; 28.6% were with funds between $500 million and $1 billion; 20.1% were with funds between $1 billion and $5 billion; and 3.1% were with funds of more than $5 billion. ■

**Pension executives' expected next career move**

| | % responses |
|---|---|
| Move to a general financial management position with this company | 25.5 |
| Move to an investment management organization in a marketing position | 11.5 |
| Move to an investment management consulting firm | 11.5 |
| Move to a general financial management position with another company | 10.5 |
| Move to a higher pension management position in another company | 10 |
| Move to an equivalent position with a larger pension fund | 6.5 |
| Move to a higher pension management position in this company | 6 |
| Increase responsibilities in present position | 5.5 |
| Move to an investment management organization as a portfolio manager | 4.5 |
| Retirement | 4.5 |
| Other | 4 |

# $200 exit charge . . .

*Continued from page 2*

variable-rate premium, which is in the Ways and Means proposal, and we would like to see it in the Education and Labor Committee as well," Mr. Walker added.

During the subcommittee consideration, Rep. Marge Roukema, R-N.J., proposed taking up a variable-rate premium similar to that of the Ways and Means plan, but with a $45 limit. Her proposal was countered by subcommittee Chairman William Clay, D-Mo., who said a variable-rate premium would do "irreparable harm" to companies in marginal financial condition, forcing them out of business.

Another surprise was a pension portability amendment introduced by Rep. James Jeffords, R-Vermont, and approved during the discussion. The proposal would make it easier for employees leaving a job to roll over a lump-sum pre-retirement pension distribution from that job into a new, portable pension plan maintained by investment managers. Mr. Jeffords said his amendment "is designed to improve retirement income security and address issues of worker dislocation, mobility and competitiveness by enhancing pension investment choice, national savings and capital formation."

Mr. Jeffords' proposal was added over the objections of pension industry trade groups. The groups generally want further study of the portability idea, believing enough consideration hasn't been given to the increased administrative burdens of such a plan and that there has not been enough time given to assess the impact of the Tax Reform Act of 1986.

"Such a move is ill-considered, ill-timed and does not necessarily represent the best interests of the nation's pension systems," said a letter to the committee from eight trade groups, including the APPWP and the ERISA Industry Committee.

The subcommittee proposal also would:

- Allow employers to get reversions from a defined benefit plan without terminating, as long as they leave a cushion of 25% in that plan as well as in every other plan maintained by the control group. If a plan terminates, however, employees would receive the cushion, while the employers would be entitled to any excess funds beyond the 125% level.
- Allow companies reorganizing under Chapter 11 to continue to meet the criteria for distress termination, but an employer could not terminate an underfunded plan if the employer or any member of the controlled group maintains an overfunded plan. ■

## Late news

### Japan venture OK'd

WASHINGTON — The Federal Reserve System Board of Governors has paved the way for Sumitomo Trust & Banking Co. Ltd., Osaka, Japan, to offer investment advisory services to U.S. and Japanese pension fund advisers through a joint venture with Security Pacific Corp., Los Angeles.

The move into investment advisory services by Japan's second largest trust company is part of Japan's aggressive move into the U.S. financial services market. Sumitomo of Japan has $113.6 billion in assets.

Sumitomo will set up a joint venture with Security Pacific. Sumitomo and Security Pacific each will own 50% of the voting shares of the company, called Sumitrust Security Pacific Investment Managers Inc., Los Angeles.

Initially, the joint venture company will advise on investments in U.S. and Japanese debt and equity securities. Later, the company may market directly to pension funds.

### ESOP growth eyed

TRENTON, Mich. — Workers at McLouth Steel Products Co. are negotiating arrangements that eventually would give their employee stock ownership plan 87% of the company.

The ESOP now owns about 13% of the company, which would be converted to a 2% share after a restructuring of the financially troubled steelmaker, said John Skidmore, recording secretary of United Steelworkers of America Local 2659, which represents about 1,800 of McLouth's 2,400 employees. The ESOP covers union and non-union employees.

The restructuring would give McLouth's creditors an 85% share that would be transferred to the ESOP as debts are paid off, Mr. Skidmore said.

Workers and creditors, with assistance from the Michigan Department of Commerce, are negotiating financial arrangements for the stock transfer. The Pension Benefit Guaranty Corp. also is expected to be involved, as the company's predecessor, McLouth Steel Corp., terminated two underfunded pension plans in 1982, during a bankruptcy reorganization.

### Consortium formed

PALO ALTO, Calif. — Five pension funds, a major university endowment and a financial services company have formed an oil and gas investment venture to acquire producing properties from failed banks by purchasing loans secured by the properties from the Federal Deposit Insurance Corp.

The funds have committed $87 million to invest in a corporation formed to purchase defaulted bank loans secured by oil and gas properties with the objective of ultimately acquiring the properties.

Participants are the pension plans of Aluminum Co. of America, Pittsburgh; Echlin Inc., Branford, Conn.; Honeywell Inc., Minneapolis; Eastman Kodak Co., Rochester, N.Y.; and the Knights of Columbus, New Haven, Conn.

Aneas Venture Corp., an investment affiliate of the Harvard University endowment, which took the leading role in a similar oil and gas program called Smith Offshore Exploration Co., is the lead investor with a $10 million commitment.

Also investing is Dreyfus Corp., Camden, N.J.

According to one participant, each participant will receive capital stock and covertible debentures in the acquiring corporation, known as Cherokee Resources Inc., as the funds are expended and properties acquired.

### Overdraft plans pass

WASHINGTON — Five Federal Reserve Board daylight overdraft proposals were approved without modification at a July 23 board of governors meeting, according to Julius Oreska, manager of electronic payments.

The amendments, expected to take effect in early 1988, include a 25% reduction in the cap for daylight overdrafts. Also, an amendment was passed granting very small institutions immunity from a self-assessment procedure required of all institutions, with the stipulation overdrafts do not exceed $500,000.

### Late money movers

- SAN FRANCISCO — Following an asset allocation study, the $2.5 billion Pacific Gas & Electric Co. retirement plan has added two international managers and one real estate manager, according to Sunny Oberoi, director-pension fund management.

The international managers are American Express Asset Management, New York, and Oechsle International Advisors Inc., Boston. Each will manage $30 million.

The fund also will invest $25 million in an apartment fund with JMB Institutional Realty, Chicago, to supplement its $175 million in existing real estate investments.

- ORANGE, Calif. — Bergen Brunswig Corp., with a combined $33 million in retirement plan assets, hired Bankers Trust Co., New York, to replace Security Pacific National Bank, as master trustee.
- WASHINGTON — The newly independent $1.12 billion TWA Pilot Trust Annuity Plan has hired its first international manager team, according to Teddy Hogle, fund administrator.

SBC Portfolio Management International Inc., New York, and BA Investment Management International Ltd., London, each will run $25 million.

- NEW YORK — The $560 million Pan American World Airways Inc. Variable Benefit Retirement Plan for Pilots has added BA Investment Management International Ltd., London, to manage $20 million in international equities, according to George Mehm, manager-pensions/financial.
- FORT WAYNE, Ind. — Zollner Corp. hired two active fixed-income managers for its $37 million defined benefit plan, said Edwin E. Coil, vice president personnel at Zollner.

The managers, hired to run $5 million each, were Denver Investment Advisors Inc., Denver, and Caywood-Christian Capital Management, San Diego.

- CARSON CITY, Nev. — The $2.4 billion Nevada Public Employees' Retirement System hired two fixed-income managers to run $175 million each, said Laura Wallace, chief investment officer.

Hired were State Street Research & Management Co., Boston, and The Patterson Capital Corp., Los Angeles.

- SAN FRANCISCO — The Jewish Community Federation of San Francisco, the Peninsula, Marin and Sonoma Counties has retained Sumitomo Bank of California, San Francisco, as trustee of its $11 million retirement plan, according to Nancy Hair, director of finance.

The federation also retained Fleckenstein Capital Inc., Seattle, to manage a $6 million fixed-income portfolio for its $60 million endowment fund, Ms. Hair said.

8/13/87 C2710-2

# GE Financial Services is primed for competition

**By Marcia Parker**

FAIRFIELD, Conn. — General Electric Co.'s fast-growing financial services group, a fierce competitor of top investment and commercial banks in some areas, is expected to contribute $1 billion a year to the bottom line by 1991.

Backed by GE's financial clout and top-notch ratings, GE Financial Services Inc. has a cost advantage over its competitors that can only intensify the pressure on Wall Street's old-line firms as it builds into one of the world's leading finance companies and deal-makers.

"There's no question that we have grown dramatically and that we are now among the top 10 finance companies. We contribute about 20% to GE's earnings now . . . $1 billion by 1991 is not out of reach at all," said Michael Carpenter, executive vice president of GE Financial Services.

The quick growth of GEFS is an indication of the apparent success of the restructuring of GE, which in the past six years has shifted emphasis to high technology and services from manufacturing.

**Corporate finance**

Since Chairman John F. Welch Jr. began paring the company's low-margin, old-line manufacturing subsidiaries to create a miniconglomerate around eight high-technology, service-oriented businesses, GE has been building its financial services unit.

GEFS, the Stamford, Conn.-based parent holding company for GE's vast financial services operations, has made several acquisitions since 1984.

The two best-known are Kidder, Peabody Inc., the investment banking firm, and Employers Reinsurance Corp., a major reinsurer. Its flagship, GE Credit Corp., the huge leasing and asset management company, has been expanding its extensive reach, including a big push to tap new markets for corporate financial services and to boost its commercial real estate financing activities. Another thrust for GECC is to move aggressively into managing assets it historically has financed, such as rail cars.

"We are constantly looking for ways to leverage our understanding of the businesses that we have been financing for years," said

*Continued on page 31*

Pensions & Investment Age

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# Court stymies surplus assets use

**By Nicky Robertshaw**

ATLANTA — A federal appeals court decision threatens to imperil employers' ability to recapture surplus assets through terminating overfunded pension plans.

The 11th U.S. Circuit Court of Appeals has ruled an employer cannot take reversions from a terminated plan until it has paid out unaccrued forfeitable benefits as well as all accrued benefits. The decision is being appealed, with the full circuit being asked to review the decision.

Because of this and related decisions, the Internal Revenue Service temporarily has suspended issuing termination letters on defined benefit plans in the 11th and 4th circuits, and will issue a position shortly, an agency official said.

The 11th Circuit comprises Florida, Georgia and Alabama; the 4th Circuit comprises North Carolina, South Carolina, Virginia, West Virginia and Maryland.

In the 4th Circuit case, Tilley vs. The Mead Corp., the court ruled in April that when terminating a defined benefit plan, employers must pay out early retirement benefits to compensate employees who have not reached the designated retirement age before the employer can take reversions.

The June 1 ruling by the three-judge 11th Circuit panel overturned a lower court's finding that Atlanta-based Dixie Engine Co. was entitled to a reversion of $225,000 after paying benefits accrued up to Dec. 31, 1982, the date the company's retirement plan was terminated as a result of the sale of the business.

A figure for how much the unaccrued forfeitable benefits in question are worth was not available, but is believed to be larger than $225,000.

Unaccrued forfeitable benefits are defined as the unearned future benefits employees would have gotten at normal retirement age, reduced to present cash value.

The plaintiffs, participants in the pension fund, had argued participants were entitled both to benefits accrued up to termination as well as unaccrued forfeitable benefits, and because Dixie had not fulfilled all of these obligations, it could not receive the reversion.

Under the Employee Retirement Income Security Act, an employer must satisfy all obligations to participants before it can receive any excess assets.

The decision by the appellate panel drew fire from officials at the Pension Benefit Guaranty Corp. and others in the defined benefit pension plan area, who said the opinion would provide further disincentives for employers to fund their plans.

Although it is "not unheard of" for employers to provide benefits beyond what has been accrued, "to push that further in a court decision is giving employers a disincentive to fund their defined benefit plans or even to have defined benefit plans to begin with," said Henry von Wodtke, a benefits consultant in the New York office of Buck Consultants Inc.

In asking for a hearing by the full circuit, ettorneys for the Dixie plan said the appel-

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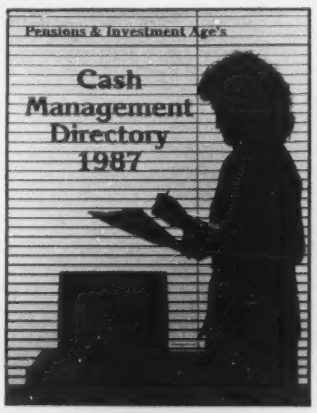
## Inside:




DIRECTORY: Profiles of cash management services by U.S. and Canadian banks, non-bank service providers, associations and more are in a special section — Page CM1.

CORPORATE FINANCE: A two-year-long financial overhaul is paying off for Armco Inc., as the steel producer has eliminated more than $1 billion in debt and obligations and has begun to tap the capital markets — Page 13.

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on funds

# Brazil lures 2 U.S. funds

**By Marlene Givant**

The pension funds of Owens-Illinois Inc. and General Electric Co. are breaking into the Brazilian stock market. The two are believed to be the first U.S. pension funds to invest in that market.

The $2 billion Owens-Illinois fund, Toledo, Ohio, and the $30 billion GE fund, Stamford, Conn., have allocated a total of $5 million to investment manager Marsh & Cunningham Inc., Boston, for investment in a stock fund managed by a Brazilian bank. The exact investment of each fund could not be learned.

The total allocation to Brazil represents 8% of those clients' international portfolios with Marsh & Cunningham, which manages $70 million in international assets for U.S. tax-exempt clients.

Officials at Owens-Illinois were interested in the investment because they have been watching emerging markets for some time.

"We're particularly interested in developing Third World countries. There are prospects for investment in a number of them. We've followed them; this is the first we've made," besides Marsh & Cunningham's investments in emerging markets like South Korea and Taiwan, said Ronald Boller, director-benefit finance of Owens-Illinois.

"They have discretion over our account. Their recommendation carried a heavy weight with us. When they or any manager believes something is a reasonable investment, we give it consideration," Mr. Boller said.

Hakan Castegren, principal at Marsh & Cunningham, "studied it and it meets his requirements and criteria, but the general notion was supported by us," Mr. Boller said.

Assets added to Marsh & Cunningham's allocation came from existing accounts, Mr. Boller said. He declined to elaborate, but said no managers were terminated.

The Owens-Illinois fund invests 15% in international equities and 3% in international bonds. He would not reveal how much the fund has with Marsh & Cunningham.

GE officials declined to comment on the Brazil investment.

"I think I'm the first (U.S. pension fund) manager in there," said Mr. Castegren.

The allocation makes Brazil — the eighth largest economy in the

*Continued on page 30*

*Rio de Janeiro, shown here, is home to Banco Bozano, Simonsen and its Brazilian Investments fund, in which the pension funds of GE and Owens-Illinois invested a total of $5 million.*

# 8 funds invest in gold bullion

By Joel Chernoff

PROVIDENCE, R.I. — Seeking a hedge against inflation and diversification from overheated financial markets, HT Investors Inc. is recommending its balanced clients invest up to 5% of pension assets in gold bullion.

So far, eight clients with $100 million in total pension assets have agreed to the strategy, which started in April and builds up the gold stake at the rate of 1% of assets per month. To date, some $3.2 million has been invested in gold bullion by HT. Henry Greenleaf Jr., president and chief investment officer, expects that with approval from additional clients, the firm may have about $15 million invested in gold by year end.

The threat of renewed inflation and "hyperinflation" of financial assets, particularly in Japan, makes securities investments increasingly risky, Mr. Greenleaf explained.

To hedge against that risk, HT, which manages about $800 million in balanced assets for tax-exempt investors, suggests gold may be an appropriate investment. The manager runs $1.1 billion in tax-exempt assets.

"It's a risk-averse way to diversify the portfolio into an asset that looks like it may be on the way up," Mr. Greenleaf said. In the past 12 months, gold has appreciated 34%, to $470 per ounce from $350.

In implementing the strategy, HT will be able to pick the brains of its sister company, Rhode Island Hospital Trust National Bank, which is second only to the U.S. Treasury in the amount of gold kept on deposit. Both are subsidiaries of RIHT Financial Corp.

HT buys gold bullion through the bank, said J. Richard Schroder, vice president-director of marketing/sales. The manager may have to take steps to meet requirements of the Employee Retirement Income Security Act: the bank may have to forgo any profits from the gold sales, and

*Continued on page 28*

*Gold, according to Henry Greenleaf Jr. of HT Investors Inc., will protect clients from inflation and volatile markets.*

*John Steinbach, assistant treasurer and investment manager, says moves by K mart will give its fund a more defensive strategy and enable the company to keep from making contributions.*

# K mart plan pulls back to guard market gains

By Trudy Ring

TROY, Mich. — K mart Corp.'s $960 million defined benefit fund has shifted about $200 million, reducing its equity exposure and moving into defensive strategies to preserve market gains.

*In the process, K mart released* two managers, hired one, cut one's allocation and increased another's. It also has planned to bring about $90 million of the $200 million in-house in fixed income. The remainder of the assets shifted will stay in less aggressive equity strategies.

At the end of the 1982 recession, the K mart pension fund was 100% in equities, said John Steinbach, assistant treasurer and investment manager. It cut back the equity exposure to about 80% in 1983 and roughly 70% in 1984.

"Once we implement the recommendations, we will be at 58% equities," Mr. Steinbach said. "This is just a continuation of what we've been doing the past few years."

K mart's investment committee *approved the changes July 21. A* major move toward defensive strategies was the termination of a $155 million aggressive equity account with T. Rowe Price Associates Inc., Baltimore. K mart also trimmed its growth stock manager, Alliance Capital Management Corp., New York, by $40 million to $135 million.

It also terminated a futures account of a little more than $1 million with Bostian Research Associates Inc., New York. It was an aggressive futures program at a time when K mart officials wanted to become more defensive, Mr. Steinbach said.

K mart hired, pending successful contract negotiations, Stein Roe & Farnham Inc., Chicago, to run $50 million in a futures-enhanced Standard & *Poor's 500 index fund. Stein Roe* will arbitrage the stocks against S&P 500 futures, Mr. Steinbach said.

He said this will give K mart a chance to become more experienced with futures, which pension funds likely will use more in years to come. K mart has used arbitrage in its $50 million medical trust, although not with Stein Roe, and is exploring other arbitrage opportunities with Stein Roe.

*Continued on page 27*

# Internal manager picked for Arco European stock

By Marlene Givant

LOS ANGELES — The $2.3 billion Atlantic Richfield Co. pension fund — one of a very few running non-U.S. equities in-house — has hired its first internal European equities manager.

Arco has hired Nicole F. Holmes, former investment analyst of the $4 billion Hughes Aircraft Co. pension fund, El Segundo, Calif., as portfolio manager-European investments.

The Arco fund runs $1.2 billion in-house; it could not be learned how much of that was invested internationally. Until now, all international assets managed in-house were invested only in Far East stocks, said E. Kent Damon Jr., vice president and investment officer. But assets managed by outside managers were invested in Europe.

The Arco fund had more than $520 million in international equity and fixed income as of Sept. 30, 1986, according to *Pension & Investment Age*'s annual directory of the nation's largest pension funds (*P&I Age*, Jan. 26). Outside managers included Capital Guardian Trust Co., Los Angeles; Fidelity International Investment Advisors Ltd., Boston; Fiduciary Trust Co. International, New York; GT Capital Management Inc., San Francisco; Rowe Price-Fleming International Inc., Baltimore; and Warburg Investment Management International Ltd., New York; according to the directory.

Ms. Holmes will be replaced at Hughes "as soon as we find the right person," said W. Allen Reed, staff vice president-investments at Hughes. The individual will come from outside the organization, he said.

Ms. Holmes will manage U.K. and continental European equities. The amount to be invested has not been decided.

"The European equity amount will vary depending on asset allocation," Mr. Damon said. "It will come from a variety of different portfolios not determined as yet. We have no plans to terminate any managers."

The fund has been running Far

*Continued on page 27*

# SEC clears trading network

By Fred Williams

The Portfolio System for Institutional Trading, POSIT, has been cleared for operation by the Securities and Exchange Commission, making it the second computer-based trading system for equity portfolio managers matching buyers and sellers.

In a statement acknowledging SEC approval of POSIT, Jefferies & Co., one of the developers of POSIT, also announced the resignation of Donald L. Luskin, the senior vice president in the Chicago office who had managed the development of POSIT since its inception a year ago.

Mr. Luskin will join Wells Fargo Investment Advisors, San Francisco, where he will be senior vice president in charge of investment management and trading.

He has been replaced by Mike Alex, senior vice president-strategic investments at The Northern Trust Co., Chicago. Mr. Alex will be senior vice president and manager of the investment technology group at Jefferies.

Assuming Mr. Alex's duties as head of passive equity products is Stephen J. Krisik. Mr. Krisik had been vice president in product development with the strategic investments group at Northern Trust.

Jefferies, Los Angeles, and BARRA, a Berkeley, Calif., consulting firm, were cleared by the SEC to operate the electronic matching network developed jointly by the two firms.

POSIT is designed to bring buyers and sellers of equity portfolios together through a centralized computer outside brokerage houses and stock exchanges.

POSIT is expected to become

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**Meridian** Investment Company

*Marcia Parker, left, is P&I Age's new associate editor for corporate finance; Jacqueline Dutton is a new staff reporter.*

## P&I Age promotes 2 on staff

Two *Pensions & Investment Age* editorial staff members have been promoted.

Marcia Parker, who had been covering general pension issues, mergers and acquisitions and mortgage-backed securities, was named associate editor for corporate finance.

Ms. Parker joined *P&I Age* in October with more than 10 years of experience at United Press International, Oil & Gas Journal and Buyouts & Acquisitions.

She has a master's degree from the Fletcher School of Law & Diplomacy at Tufts University and is an adjunct professor at Columbia University's Graduate School of Journalism.

Jacqueline Dutton, who joined *P&I Age* as editorial assistant in February, has been named a staff reporter covering general pensions management and investment issues.

She has worked for the Iowa City Press-Citizen and served an internship on the Des Moines Register.

An honors student, Ms. Dutton has a bachelor's degree from the University of Iowa and has studied at City University of London's Graduate Centre for Journalism.

Both are in *P&I Age*'s New York office. ■

## Corrections & clarifications

- A list of benefits of securitization in a June 15 story should have been attributed to **First Boston Corp.**
- **County Investment Management Ltd.**'s $75 million in indexed U.S. tax-exempt assets should have been listed as international assets in the July 13 issue.
- A table in the July 27 issue incorrectly listed **Merrill Lynch Asset Management** as running $500 million in Japan-based assets in conjunction with Nomura. Those assets are managed in separate accounts; the company maintains a separate relationship with Nomura on mutual fund assets.
- The **100 Largest Investment Advisers** chart July 27 omitted the Principal Financial Group, Des Moines, Iowa. Total assets of the parent company, as of Dec. 31, were $17.9 billion. Assets under management by its subsidiaries include: Value Investors, $2.7 billion; Principal National Life Insurance Co., $327 million; and Principal Casualty Insurance Co., $32 million.

Money movers are a *Pensions & Investment Age* feature that details new investments of tax-exempt assets. They appear in each issue of *P&I Age*.

Information for the section is welcomed. Please send details to:

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# Corporate Finance

## Ambitious restructuring putting Armco in the pink

By Marcia Parker

PARSIPPANY, N.J. — Armco Inc.'s just completed two-year financial overhaul has dramatically improved the balance sheet of the long struggling steel producer, eliminating more than $1 billion in total debt and other obligations, and has allowed it to tap the capital markets once again.

The ambitious financial restructuring, set in motion in early 1985, has been very successful, according to several institutional investors and Wall Street analysts who follow the company.

"We have come a long way toward fixing the balance sheet and a long way toward fixing the basic business," said Wallace B. Askins, Armco's chief financial officer and executive vice president. "We still have lots to do."

Armco has slashed its heavy debt load, boosted its cash position, replaced high-interest debt, sold off poor-performing or ill-fitting assets and shut plants, and in the process gained a good measure of financial flexibility. Flush with that accomplishment, Armco is scouting for acquisitions, looking for improved terms from its bankers and rethinking what the Armco of the future will look like. Chairman Robert E. Boni is also considering a merger.

"We think they have made immense progress in strengthening their financial position," said Charles Bradford, vice president at Merrill Lynch Capital Markets, New York. "They're getting better recognition now because of their progress."

So far, Armco's financial shape-up campaign has paid off. The company has:

- amassed about $350 million in cash;
- eliminated more than $1 billion in total debt and other obligations, including about $800 million in off-balance-sheet debt. The percentage of debt to total capitalization was 45.8% at the end of June, compared with 56% at the end of 1986;
- negotiated a $75 million revolving credit line through 1988, with an eye toward negotiating an even bigger line with better terms soon;
- reached agreement with virtually all its private debtholders to exchange Armco's equity for debt. The exchanges avoided the need to use cash for debt repayment and added $135 million to Armco's shareholder's equity;
- generated more than $700 million in proceeds from asset sales, which was used to pay down debt. Another $40 million to $50 million is expected from other sales this year;
- gone to the capital markets four times in less than six months, for a $175 million debt offering, two debt-for-equity swaps, and a preferred stock sale in the secondary market. All the offerings were oversubscribed. The securities have been selling at a premium, and Armco's stock price has strengthened;
- sold off several of its troubled insurance affiliates, and used the cash to strengthen the remainder, reducing their liabilities substantially; and
- improved Armco's earnings. For the first six months of 1987, Armco had net income of $88.7 million, compared with a net loss of $447.6 million for the same period last year. In the second quarter, Armco had net income of $36.2 million on sales of $719.5 million, compared with a net loss of $38.7 million on sales of $657.7 million for the same quarter 1986. It was the third consecutive quarter the company has achieved an operating profit.

While Mr. Askins and William M. Trubeck, corporate vice president and treasurer, teamed up on the financial restructuring, other Armco executives embarked on an extensive operational overhaul of the company.

Through divestments and plant closing, Armco has restructured into four smaller, decentralized business units. Its specialty steel, Latin American division and carbon steel operations are profitable. In April, Armco transferred the business and related assets of its oil field equipment segment to a joint venture equally owned by subsidiaries of Armco and USX Corp., Pittsburgh. While the joint venture suffered losses in its first quarter of operation, they were substantially less than Armco's oil field equipment division had sus-

*Continued on page 14*

*After taking steps to put its finances back in shape, Armco, which produces these steel coils, is considering acquisitions, mergers and other possibilities to give it a secure future.*

*Mattel's Michael McCafferty says the deal is the best option for permanent financing.*

## Companies try a first in offerings

By Brad Rudin

Union Carbide Corp. and Mattel Inc. are planning offerings of asset-backed preferred stock that would mark the first time industrial companies have used credit support to sell equity collateralized by trade receivables.

The deals likely will come to market in September, said Craig J. Goldberg, vice president at First Boston Corp., New York, which will act as lead manager on both offerings. First Boston calls the security Asset-Backed Short-Term Auction Rate Preferred stock, or STAR Preferred.

"From the issuers' point of view, to the extent that companies are not going to pay taxes, we believe that generally speaking STAR Preferred will give them the lowest possible

*Continued on page 16*

### New issues of corporate securities

June 29 - July 10

| Issue date | Company | Amount ($ mil.) | Type of security | Offering price Debt (%) Share ($) | Gross spread as % offer price | Where traded (to list) | Managers |
|---|---|---|---|---|---|---|---|
| **Debt** | | | | | | | |
| 7/2 | E-II Holdings Inc. | 750.00 | Sub. Deb. | 100.00% | 3.750 | OTC | Drexel Burnham Lambert |
| 7/2 | E-II Holdings Inc. | 750.00 | Sr. Sub. Notes | 100.00% | 3.500 | OTC | Drexel Burnham Lambert |
| 7/10 | American Express Co. | 300.00 | Notes | 99.35% | .629 | OTC | SLB/FBC/GS/MLCH/MS/SAL* |
| 7/2 | Americold Corp. | 300.00 | First Mtg. | 100.00% | 2.000 | OTC | First Boston |
| 7/7 | Pacific Gas and Electric Co. | 250.00 | FST&R Mtg. | 100.00% | .588 | OTC | GS/SAL/KP/Nomura/LFRU/UBS-SEC** |
| 7/9 | Collateralized Mtg. Securities Corp. | 227.25 | GNMA CMO | 100.00% | .650 | OTC | First Boston |
| 7/9 | Chrysler Financial Corp. | 200.00 | Notes | 99.93% | .450 | OTC | First Boston |
| 7/1 | Federal Nat'l Mortgage Association | 200.00 | Mtg. Backed | 100.00% | – | OTC | Goldman, Sachs |
| 7/1 | Federal Nat'l Mortgage Association | 200.00 | Mtg. Backed | 100.00% | – | OTC | Goldman, Sachs |
| 6/30 | First Chicago Corp. | 200.00 | Sub. Notes | 99.82% | .676 | OTC | Salomon/First Boston/Merrill Lynch |
| **Common Stock** | | | | | | | |
| 7/2 | E-II Holdings Inc. | 345.00 | | $15.00 | 5.27 | IPO (NY) | Salomon/Drexel Burnham/First Boston/Morgan Stanley |
| 7/9 | Putnam High Income Cvt./Bond Fund | 125.00 | | $10.00 | 7.00 | IPO (NY) | Smith Barney/A.G. Edwards |
| 6/30 | Gulf Canada Resources Ltd. | 111.30 | | $16.87 | 5.00 | AM | Merrill Lynch/Goldman, Sachs |
| 7/1 | MBIA Inc. | 105.80 | | $23.50 | 5.74 | IPO (NY) | Morgan Stanley/First Boston/Merrill Lynch |
| 7/1 | Oppenheimer Capital L.P. | 97.20 | | $13.50 | 7.04 | IPO (NY) | Oppenheimer/DBL/FBC/EFH/MLCM*** |
| 7/10 | Banco Central S.A. | 95.00 | | $19.00 | 4.84 | NY | Shearson Lehman/First Boston/Prudential-Bache |
| 7/1 | Mobile Communications Corp./Amer. | 82.50 | | $25.00 | 4.00 | OTC | Prudential-Bache/Robinson |
| 6/30 | M.D.C. Asset Investors Inc. | 69.00 | | $17.25 | 5.28 | NY | SAL/DBL/MLCM/Printon-Kane/PBS**** |
| 6/30 | The Timberland Co. | 46.90 | | $14.00 | 6.86 | IPO (AM) | Merrill Lynch |
| 7/1 | Jiffy Lube International Inc. | 44.30 | | $14.75 | 5.08 | OTC | Shearson Lehman/Alex. Brown (Books) |

*Source: Securities Data Co., New York*

*GNMA CMO: GNMA-backed collateralized mortgage obligations*
*FST&R Mtg.: First & Refunding Mortgage*
**Shearson Lehman/First Boston/Goldman, Sachs/Merrill Lynch/Morgan Stanley*
***Goldman, Sachs/Salomon/Kidder Peabody/Nomura/L.F.Rothschild/UBS Securities*
****Oppenheimer/Drexel Burnham/First Boston/E.F. Hutton/Merrill Lynch*
*****Salomon/Drexel Burnham/Merrill Lynch/Printon Kane/ Prudential-Bache*

*NY: New York Stock Exchange*
*OTC: Over the Counter*
*IPO: Initial Public Offering*
*AM: American Stock Exchange*

# Cash Management Directory

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# Services anything but uniform

By Barry B. Burr

Both regionally and nationally, competing banks differ sharply in cash management services they offer and charges they assess, the *Pensions & Investment Age* Treasury Management Directory shows.

The directory, based on responses to questionnaires, profiles 115 U.S. and four Canadian banks, detailing major cash management services they offer.

Besides banks, the directory also features profiles of:

- Twenty-nine non-bank cash management services providers, including consulting firms;
- Fifty-three corporate cash investment managers, running more than $25 billion;
- Fifteen treasury workstation organizations, providing such systems to more than 1,000 corporations; and
- Twenty-two regional and national corporate cash management associations.

Among the banks, the profiles show:

- Some banks are adding surcharges for corporate customers paying for cash management services in fees, as cash payment is known, to discourage moves away from maintaining compensating balances.
- More banks are itemizing charges for Federal Deposit Insurance Corp. premiums. The profiles show 10 of the 41 banks that itemize began this year. In addition, Wells Fargo Bank plans to begin next year, bringing the total to 42.
- In electronic funds transfer, 60 banks plan to have capability this year to handle the CTX, or corporate trade exchange, format of the National Automated Clearing House Association.

Notably, the directory shows few regions where banks compete by offering nearly the same services and at similar prices.

In New York, the earnings credit rate of six reporting banks ranged from Bankers Trust Co.'s 4.87% to Chemical Bank's 5.73%. Two banks didn't disclose their rates.

In Florida, Southeast Bank, Miami, offers the most major services (15), while Florida National Bank, Jacksonville, offers the fewest (seven) of five major banks in the state. Sun Bank, Orlando, offers 12; Barnett Bank, Jacksonville, 11; and First Union National Bank of Florida, Jacksonville, 10.

In the area of fees vs. compensating balances:

- Twenty-seven percent of corporate clients on average pay banks for cash management services in fees, while 73% pay in compensating balances, according to 90 reporting banks.
- Thirteen banks assess a surcharge for corporate customers paying for cash management services in fees rather than compensating balances.

Among highlights of differences in banking services and charges, the profiles show:

- AmeriTrust Bank, Cleveland; National City Bank, Cleveland; and Fifth Third Bank, Cincinnati, began itemizing FDIC premiums this year, the first Ohio banks to do so. None of the major banks in Massachusetts, Connecticut or Rhode Island itemize FDIC premiums.
- In California, the amount of compensating balances the five major banks required their corporate customers to maintain to offset $100 in cash management charges varied by almost $8,000. As of March 31, the amount was: $20,008 at First Interstate Bank of California, Los Angeles; $21,000 at First Interstate Bank Ltd., Los Angeles; $21,467 at Wells Fargo Bank, San Francisco; $23,935 at Bank of America, San Francisco; and $27,734 at Security Pacific National Bank, Los Angeles.
- In Chicago, the earnings credit rate as of March 31 varied by 80 basis points — 4.93% at First National Bank of Chicago; 5.73% at Harris Trust & Savings Bank; 5.75% at ABN LaSalle National Bank; and 5.85% at Continental Illinois National Bank & Trust Co. Northern Trust Co. declined to disclose its rate.
- The highest earnings credit rate was 5.95% at First Union National Banks of Georgia, North Carolina and South Carolina; the lowest was 4.49% at Central Trust Co., Cincinnati. The average for all banks was 5.53%.
- The highest compensating balance to offset $100 in banking charges was $30,303 at Old Kent Bank & Trust Co., Grand Rapids, Mich.; the lowest was $19,788 at First Union National Banks. The average for all banks was $23,379.
- Of Detroit's three major banks, Comerica Bank and Manufacturers National Bank offer controlled disbursement reports by 10.30 a.m., while only Comerica offers

*Continued on page CM25*

**Banks with a surcharge for customers paying in cash vs. balances**

Bankers Trust
Citizens & Southern Nat'l Bank
Comerica
Continental Bank
First Bank System
First City Nat'l Bank/Houston
First RepublicBank
Florida Nat'l Bank
Old Kent Bank & Trust
Shawmut Bank
Texas Commerce Bank
Trust Company Bank
Wells Fargo Bank

*Ester Lord believes eventually "everyone is going to jump on the bandwagon."*

*Daniel Benton says the book-entry method can save companies thousands of dollars.*

# Book-entry transactions gaining trust with firms

By Chuck Paustian

Exxon Credit Corp. and John Deere Credit Co. plan to switch part of their commercial paper borrowings to a book-entry basis, joining a growing number of companies using the electronic issuing method to lower cost and simplify administration.

New York-based Exxon Credit expects to begin issuing book-entry commercial paper later this year. Company executives hope to convert between 20% and 25% of commercial paper borrowings by the first quarter of 1988, said John F. Williams, treasurer of the Exxon Corp. unit. As of June 30, Exxon Credit had $1.25 billion of commercial paper outstanding.

"With any system that provides a direct link between the investor, or the investor's bank, and the issuer, the potential for fails is reduced dramatically," Mr. Williams said. For example, with conventional commercial paper, there is the risk of the physical notes being damaged, lost or misprinted.

At John Deere Credit, Moline, Ill., Claudia Milse, coordinator of commercial paper sales, said the company is examining book-entry issuing.

"The whole industry is going in that direction," said Ms. Milse. "You have to do everything you can to keep up with the industry."

As of June 30, the Deere & Co. unit had about $1 billion in commercial paper outstanding.

She said a timetable for the switch to book-entry commercial paper has yet to be decided.

Ester Lord, senior vice president and assistant treasurer at Associates Corp. of North

*Continued on page CM25*

# Banks in no hurry for accounting standard

By Hank Berkowitz

Despite being unveiled with much fanfare almost a year ago, use of the National Corporate Cash Management Association's account analysis standard still may be a way off.

"Corporations have been calling us every day, asking where is it," said Raymond L. Cushing, corporate cash manager at Nordson Corp., Westlake, Ohio, and chairman of the NCCMA Standards Committee.

The group wasn't expected to adopt the final version of the standard and an accompanying glossary until late July, and the results won't be released until the New York Cash Exchange conference in September.

Few banks have plans to immediately adopt the standard that was unveiled in November by the NCCMA at its Anaheim, Calif., conference, a *Pensions & Investment Age* survey of 120 major cash management banks shows.

The *P&I Age* survey found only 11 banks with plans to introduce the standard this year, if it's available; 31, next year; and 44, in 1989 or later. Officials of the remaining banks said they are unsure of their plans.

But because of NCCMA delays in producing the final version, several representatives of the banks that indicated they would adopt the standard this year revised their estimates to mid- or late 1988.

A bank's adoption doesn't mean, however, the standard will replace its current account analysis format; a bank may offer the standard as only an option.

NCCMA executives believe corporate treasury executives would welcome the standard, making it easier to evaluate and compare the charges of each of their banks. But none of the bankers interviewed reported any demand for the standard from corporate customers.

The standard, or prototype as the NCCMA describes it, will provide a uniform format for presenting account analysis statements — an itemized, generally monthly, listing of cash management services and charges that banks will issue to their corporate clients.

There have been some delays with the NCCMA adoption, Mr. Cushing conceded. "We want to make sure it's a consensus document," agreeable to banks and corporations, he said. "We want to provide the industry with something everyone can use."

*Raymond L. Cushing says the NCCMA wants to ensure the standard is acceptable.*

"Banks don't want to commit themselves yet" to using the standard, added Jeff Jankowski, treasurer of Howmet Turbine Components Corp., Greenwich, Conn.

"A lot of banks are still adjusting to the fact that customers are actually interested in what's on their account analysis statements," said Randall Wilds, bank relations supervisor at Ford Motor Co., Dearborn, Mich.

Mercantile Bank, St. Louis, plans to offer the NCCMA standard only on a "manual and requested basis," said Leo M. Malone, senior vice president and division executive.

"I'm not gearing up to change our software to meet the NCCMA standard," Mr. Malone said. "It's just too expensive." Instead, the bank will use a personal computer to prepare statements on request, and at no charge.

None of Mercantile's customers has inquired about the NCCMA standard, he added.

"I think it indicates they (the NCCMA) haven't pushed their local chapter to push it," he said.

Mr. Malone said Mercantile's statement already incorporates much of the NCCMA's.

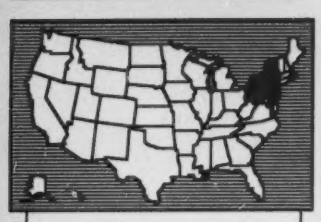
"The banking industry isn't that enamored with the NCCMA

*Continued on page CM25*

# Directory

Following are the profiles of cash management banks, service providers, associations, short-term money managers and treasury workstation providers. In a departure from previous years, the banks are listed alphabetically under regional headings. The entire contents are ©1987 Crain Communications Inc. Reproduction without permission is prohibited.

## Banks



### New England

### Bank of Boston

*100 Federal St., Boston, Mass. 02110; (617) 434-3870*

Lockbox:
- Retail: $10,000,000
- Wholesale: $2,500,000,000
- Network: correspondent

Controlled disbursement: $2,400,000,000
International:
- Multilateral netting
- Wire transfers

Cash investments: $500,000,000
- Investment clients: 20

NCCMA account analysis: 1988
Earnings credit rate: 4.82%
Compensating balance: $24,900
Cash management professionals: 60
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Bank of Boston offers controlled disbursement in Waterbury, Conn., and Portland, Maine. Its terminal-access balance reporting system was developed in-house, and terminal-initiated services are: wire transfers and letters of credit. It does lockbox and disbursement consulting.

Its account reconciliation system was developed by Disc. Thirty percent of its clients pay in fees; 70% pay in balances.

Stephen J. MacQuarrie is chief of the cash management division.

### The Connecticut Bank and Trust Co.

*1 Constitution Plaza, Hartford, Conn. 06115; (203) 244-5668*

Lockbox:
- Retail: $203,000,000
- Wholesale: $1,230,000,000

Controlled disbursement: $761,000,000
International:
- Multilateral netting
- Wire transfers: $250,000,000

NCCMA account analysis: 1988
Earnings credit rate: 5.58%
Compensating balance: $21,102
Cash management professionals: 30
ACH capability:
- CTP receive
- CTX originate
- CTX receive

The Connecticut Bank and Trust Co. offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Hartford, Conn., and belongs to the Bank of New England Controlled Disbursement Network.

Its terminal-access balance reporting system is based on BankLink. Its terminal-initiated services are: wire transfers, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Five percent of its clients pay in fees; 95% pay in balances.

Albert C. Hills, senior vice president, is chief corporate cash management executive.

### Connecticut National Bank

*777 Main St., Hartford, Conn. 06115; (203) 728-2000*

Lockbox:
- Retail
- Wholesale
- Network: stand-alone

Controlled disbursement
International:
- Wire transfers

NCCMA account analysis: 1989
Earnings credit rate: 5.59%
Compensating balance: $24,000
Cash management professionals: 30
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Connecticut National Bank has two cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Hartford.

Its terminal-access balance reporting system was developed in-house. Its terminal-initiated services are: wire transfers, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Twenty percent of its clients pay in fees; 80% pay in balances.

Pamela M. Drouin, vice president and manager-cash management, and Stephen C. Holahan, vice president and manager-cash management and product development, are the chief corporate cash management executives.

### Fleet National Bank

*111 Westminster St., Providence, R.I. 02903; (401) 278-5589*

Lockbox:
- Wholesale

Controlled disbursement
International:
- Wire transfers

Earnings credit rate: 5.59%
Compensating balance: $24,396
Cash management professionals: 5
ACH capability:
- CTP originate
- CTP receive

Fleet National Bank's terminal-access balance reporting system was developed by Chase Access, and offers terminal-initiated wire transfers.

The bank does lockbox and disbursement consulting. Its account reconciliation system was developed by Fleet Information Systems. Forty percent of its clients pay in fees, 60% pay in balances.

Frances B. Dale, assistant vice president, is chief executive of the corporate services group.

### Shawmut Bank

*1 Federal St., Boston, Mass. 02211; (617) 292-2000*

Lockbox:
- Retail
- Wholesale
- Network: mail intercept, correspondent

Controlled disbursement
International:
- Wire transfers

Cash investments: $50,000,000
- Investment clients: 4

NCCMA account analysis: 1989
Earnings credit rate: 5.5%
Compensating balance: $21,818
Fee surcharge
Cash management professionals: 17
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Shawmut Bank offers controlled disbursement in Salem, New Bedford and Cape Cod, Mass.

Its terminal-access balance reporting system was developed in-house.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

Betty Haley, vice president, is chief executive of the corporate services group.

### State Street Bank & Trust

*225 Franklin St., Boston, Mass. 02101; (617) 654-3663*

Lockbox:
- Wholesale

Controlled disbursement
International:
- Multilateral netting
- Wire transfers

Earnings credit rate: 5.4%
Compensating balance: $25,253
Cash management professionals: 12
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

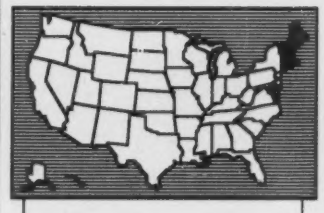
State Street Bank & Trust Co. offers controlled disbursement in Manchester, N.H.

Its terminal-access balance reporting system was developed by NDC. Terminal-initiated services are wire transfers, letters of credit and stop payments.

It has overseas lockbox sites in Zurich, Switzerland.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

Randal L. McGathey, vice president, is chief executive of the corporate services department.



### Mid-Atlantic

### Bankers Trust

*1 Bankers Trust Plaza, New York, N.Y. 10015; (212) 250-6471*

Lockbox:
- Wholesale

Controlled disbursement
International:
- Multilateral netting
- Wire transfers

NCCMA account analysis: 1988
FDIC premium itemized
Earnings credit rate: 4.806%
Compensating balance: $24,659
Fee surcharge
Cash management professionals: 100
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Bankers Trust offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Delaware and New York.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house.

Ten percent of its clients pay in fees; 90% pay in balances.

Albert T. Bellino, senior vice president, is chief executive of global operating and information services.

### The Bank of New York

*48 Wall St., New York, N.Y. 10286; (212) 530-1101*

Lockbox:
- Retail
- Wholesale: $2,000,000,000
- Network: stand-alone, correspondent

Controlled disbursement: $6,000,000,000
NCCMA account analysis: 1989
FDIC premium itemized
Earnings credit rate: 5.58%
Compensating balance: $24,540
ACH capability:
- CTP receive
- CTX originate
- CTX receive

The Bank of New York has seven cities in its lockbox network. It offers controlled disbursement in New York, Harrison, N.Y., and Newark, Del., through the Bank of New York Co. Inc. network.

Its terminal-access balance reporting system was developed in-house. Its terminal-initiated services are: wire transfers, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. All clients pay in balances.

Walden Anderson Jr., senior vice president, is chief executive of the cash management division.

### The Chase Manhattan Bank

*195 Broadway, New York, N.Y. 10007; (212) 669-6040*

Lockbox:
- Wholesale

Controlled disbursement
International:
- Multilateral netting
- Wire transfers

ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Chase Manhattan Bank's terminal-access balance reporting system was developed in-house. Its terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Arthur W. Friedman, cash management executive, is chief executive of Chase Cash Management.

### Chemical Bank

*380 Madison Ave., New York, N.Y. 10017; (212) 309-5334*

Lockbox:
- Retail
- Wholesale
- Network: stand-alone, mail intercept

Controlled disbursement
International:
- Wire transfers

Cash investments: $2,800,000,000
- Investment clients: 29

NCCMA account analysis: 1987
FDIC premium itemized
Earnings credit rate: 5.73%
Compensating balance: $23,798
Cash management professionals: 110
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Chemical Bank has five cities in its stand-alone lockbox network and one mail-intercept location. It offers controlled disbursement in Delaware and in Syracuse, N.Y.

Its terminal-access balance reporting system was developed in-house. Its terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc, but is customized. Twenty percent of its clients pay in fees, 80% pay in balances.

Barbara Capsalis, senior vice president, is the chief corporate cash management executive.

### Citibank

*460 W. 33rd St., New York, N.Y. 10043; (212) 971-2330*

Lockbox:
- Retail
- Wholesale

Controlled disbursement
International:
- Multilateral netting
- Wire transfers

FDIC premium itemized

Citibank offers Saturday and Sunday lockbox processing.

Its terminal-access balance reporting system was developed in-house. Its terminal-initiated services are: wire transfers, commercial paper and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house.

R. Max Gould, senior vice president, is chief corporate cash management executive.

### Continental Bank

*1500 Market St., Philadelphia, Pa. 19102; (215) 564-7178*

Lockbox:
- Wholesale: $150,000,000

Controlled disbursement: $20,000,000
International:
- Wire transfers

Cash investments: $25,000,000
- Investment clients: 30

Earnings credit rate: 4.9%
Compensating balance: $27,829
Fee surcharge
Cash management professionals: 6

Continental Bank offers controlled disbursement in York, Pa.

Its terminal-access balance reporting system was developed by ADP Network Services.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Cerebus Systems.

Less than 1% of its clients pay in fees; all others pay in balances.

Thomas M. Mulhern, vice president, is chief executive of the cash management department.

### Fidelity Bank

*Broad and Walnut Streets, Philadelphia, Pa. 19109; (215) 985-8338*

Lockbox:
- Wholesale

Controlled disbursement
International:
- Wire transfers

Cash investments: $150,000,000
- Investment clients: 200

NCCMA account analysis: 1989
Earnings credit rate: 5.59%
Compensating balance: $24,394
Cash management professionals: 30
ACH capability:
- CTP originate
- CTP receive
- CTX receive

Fidelity Bank offers controlled disbursement in Chester, Pa.

Its terminal-access balance reporting system was developed by Automated Data Processing.

Its account reconciliation system was developed by Disc. Ten percent of its clients pay in fees; 90% pay in balances.

Bob Milligan, senior vice president-sales, and Richard Hanft, vice president-product management, are chief executives of corporate cash management.

### First Jersey National Bank

*2 Montgomery St., Jersey City, N.J. 07302; (201) 547-7238*

Lockbox:
- Wholesale: $10,000,000

Controlled disbursement: $42,000,000
NCCMA account analysis: 1988
Earnings credit rate: 5.52%
Compensating balance: $21,358
Cash management professionals: 5
ACH capability:
- CTP originate
- CTP receive
- CTX receive

First Jersey National Bank has one city in its lockbox network. It offers controlled disbursement in Jersey City.

Its terminal-initiated services are wire transfers. Its account reconciliation system was developed in-house. Ten percent of its clients pay in fees, 90% pay in balances.

Fred Gardner, vice president, is the chief corporate cash management executive.

### First Pennsylvania Bank

*1500 Market St., Philadelphia, Pa. 19101; (215) 786-5000*

Lockbox:
- Retail: $885,941
- Wholesale: $126,965

Controlled disbursement: $180,400,000
International:
- Wire transfers: $51,000,000

Cash investments: $65,074,809
- Investment clients: 116

NCCMA account analysis: 1989
FDIC premium itemized
Earnings credit rate: 5.55%
Compensating balance: $21,622
Cash management professionals: 31
ACH capability:
- CTP receive
- CTX originate
- CTX receive

First Pennsylvania Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Fort Washington, Pa.

Its terminal-access balance reporting system was developed by ADP-Network Services. Terminal-initiated services are wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Thirty percent of its clients pay in fees, 70% pay in balances.

William F. Githens, senior vice president, is the chief corporate cash management executive.

### Irving Trust

*1 Wall St., New York, N.Y. 10015; (212) 815-6300*

## Directory

Lockbox:
Wholesale
Controlled disbursement
International:
Wire transfers
Cash management professionals ..... 70
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Irving Trust offers controlled disbursement in Endicott and Lacona, N.Y.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc.

Kenneth J. Soldwedel, senior vice president, is chief executive of treasury services.

### Manufacturers Hanover Trust

*270 Park Ave., New York, N.Y. 10017; (212) 808-0264*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Multilateral netting
Wire transfers ..... $252,000
FDIC premium itemized
Earnings credit rate ..... 5.57%
Cash management professionals ..... 80
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Manufacturers Hanover Trust offers Saturday lockbox processing for wholesale customers. It offers controlled disbursement in Delaware.

Its terminal-access balance reporting system was developed in-house, and its outside system was developed by NDC. Terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It has overseas lockboxes in Milan, London and Frankfurt.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Fifteen percent of its clients pay in fees, 85% pay in balances.

James P. Witkins, senior vice president, is chief executive of the electronic banking group.

### Mellon Bank

*1 Mellon Bank Center (151-1250), Pittsburgh, Pa. 15258-0001; (412) 234-6905*

Lockbox:
Retail
Wholesale
Network: ..... stand-alone
Controlled disbursement
International:
Multilateral netting
Wire transfers
FDIC premium itemized
Earnings credit rate ..... 5.59%
Compensating balance ..... $23,229
Cash management professionals ..... 250
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Mellon Bank has six cities in its stand-alone lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Pittsburgh and Wilmington, Del.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer. It has international lockboxes in London and Toronto.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house and by Disc.

Most of its clients pay in balances.

Theodore M. Mertz, senior vice president, is chief executive of the global cash management group.

Cash management survey: Nov. 2.

### Meridian Bank

*P.O. Box 1102, Reading, Pa. 19603; (215) 320-3528*

Lockbox:
Retail ..... $71,878,788
Wholesale ..... $181,969,447
Controlled disbursement ..... $126,757,035
International:
Wire transfers
Earnings credit rate ..... 5.43%
Compensating balance ..... $25,126
Cash management professionals ..... 14
ACH capability:
CTX originate
CTX receive

Meridian Bank offers controlled disbursement in Reading, Pa. Its terminal-access balance reporting system was developed by Chase Access Services.

Terminal-initiated services are letters of credit.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by PIPS.

Leonard J. Keating Jr., senior vice president, is chief corporate cash management executive.

### National Westminster Bank USA

*175 Water St., New York, N.Y. 10038; (212) 602-2547*

Lockbox:
Wholesale ..... $300,000,000
Network: ..... stand-alone
Controlled disbursement ..... $242,000,000
International:
Wire transfers ..... $8,000,000,000
FDIC premium itemized
Earnings credit rate ..... 5.534%
Compensating balance ..... $21,276
Cash management professionals ..... 17
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

National Westminster Bank USA offers controlled disbursement in Goldens Bridge, N.Y.

Its terminal-access balance reporting system was developed by Chase Access Services. Terminal-initiated services are wire transfers and letters of credit. It has an overseas lockbox site in London.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Fifty percent of its clients pay in fees, 50% pay in balances.

Vickie Reynolds Akelman, senior vice president, is chief executive of the corporate cash management division.

### Philadelphia National Bank

*P.O. Box 7618, Philadelphia, Pa. 19101; (215) 629-5638*

Lockbox:
Retail
Wholesale ..... $40,000,000,000
Network: ..... stand-alone, correspondent
Controlled disbursement .... $1,300,000,000
International:
Wire transfers ..... $4,500,000,000,000
Cash investments ..... $1,500,000,000
Investment clients ..... 300
FDIC premium itemized
Earnings credit rate ..... 5.35%
Compensating balance ..... $22,000
Cash management professionals ..... 9
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Philadelphia National Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Delaware.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are: wire transfers, letters of credit and stop payments.

It has overseas lockbox sites in London and Hong Kong.

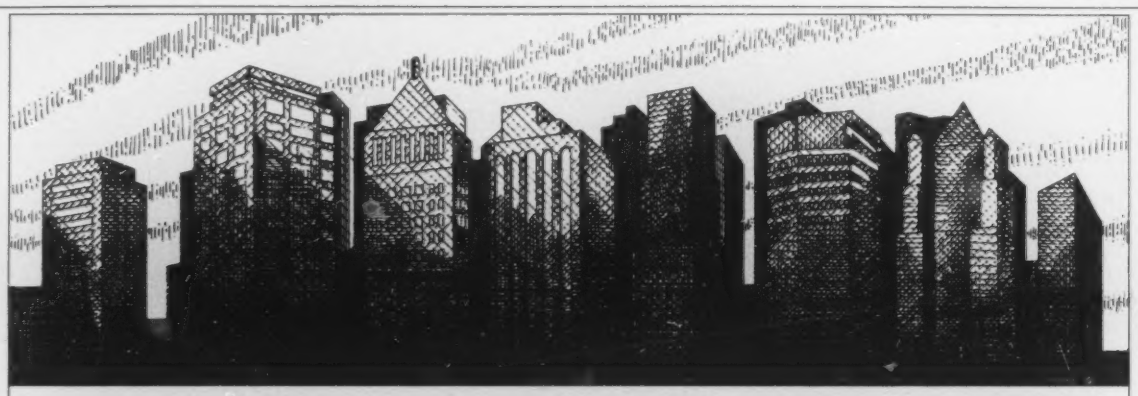
It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

Percival B. Moser, executive vice president, is chief executive of corporate and institutional products and services.

### Pittsburgh National Bank

*Fifth Avenue and Wood Street, Pittsburgh, Pa. 15265; (412) 762-5095*

Lockbox:
Retail ..... $163,000,000
Wholesale ..... $1,410,000,000
Network: ..... stand-alone

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# Directory

Controlled disbursement .... $1,100,000,000
International:
Wire transfers ..... $500,000,000
Cash investments ..... $3,000,000,000
Investment clients ..... 150
NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 5.59%
Compensating balance ..... $23,935
Cash management professionals ..... 35
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Pittsburgh National Bank has four cities in its stand-alone lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Jeanette, Pa., and Pittsburgh.

Its terminal-access balance reporting system was developed by Bank-Link, but the bank is converting to an in-house system. Terminal-initiated services are: wire transfers, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees; 75% pay in balances.

Robert D. Edwards is vice president and manager-cash management department.

### Provident National Bank

*Broad & Chestnut Streets, Philadelphia, Pa. 19101; (215) 585-5000*

Lockbox:
Retail ..... $360,000,000
Wholesale ..... $760,000,000
Network: ..... correspondent
Controlled disbursement ..... $820,000,000
International:
Wire transfers ..... $40,000,000,000
Cash investments ..... $5,500,000,000
Investment clients ..... 86
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.5575%
Compensating balance ..... $21,592
Cash management professionals ..... 22
ACH capability:
CTP receive
CTX receive

Provident National Bank has five cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Wilmington, Del.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. It files taxes for 150 corporations. Thirty percent of its clients pay in fees, 70% pay in balances.

Charles V. Hoffman, vice president, is chief executive of the cash management/corporate services department.

### United Jersey Bank

*25 E. Salem St., Hackensack, N.J. 07602; (201) 646-5334*

Lockbox:
Retail ..... $50,000,000
Wholesale ..... $325,000,000
Controlled disbursement ..... $250,000,000
International:
Wire transfers
Earnings credit rate ..... 5.5%
Compensating balance ..... $24,600
Cash management professionals ..... 8
ACH capability:
CTX receive

United Jersey Bank offers Saturday lockbox processing. It offers controlled disbursement in Montvale and Vineland, N.J.

Its terminal-access balance reporting system was developed by Chase Access (IDC). Its terminal-initiated services are wire transfers and stop payments, including automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc. Five percent of its clients pay in fees, 95% pay in balances.

Michael J. Dunn is vice president and manager-corporate services department.

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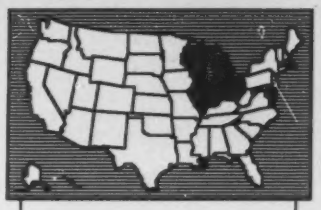
The largest real estate advisers will be profiled Sept. 21.



## East North Central

### ABN LaSalle National Bank

*135 S. LaSalle St., Chicago, Ill. 60603; (312) 443-2176*

Lockbox:
Retail ..... $2,400,000
Wholesale ..... $2,637,000
Controlled disbursement ..... $22,900,000
International
Multilateral netting
Wire transfers ..... $15,000,000
NCCMA account analysis ..... 1987
Earnings credit rate ..... 5.75%
Compensating balance ..... $23,242
Cash management professionals ..... 14
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

ABN LaSalle National Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Chicago through the ABN Chicago branch.

Its outside terminal-access balance reporting system was developed by ADP. Its terminal-initiated services are wire transfers. Its account reconciliation system was developed by Disc. Five percent of its clients pay in fees, 95% pay in balances.

Michael D. Lindsey, vice president, is chief executive of the cash management division.

### AmeriTrust Co.

*900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-4219*

Lockbox:
Retail ..... $75,000,000
Wholesale ..... $927,000,000
Network: ..... stand-alone
Controlled disbursement .... $1,100,000,000
International:
Wire transfers
Cash investments ..... $94,000,000
Investment clients ..... 17
NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 5.55%
Compensating balance ..... $21,922
Cash management professionals ..... 26
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

AmeriTrust Co. has two cities in its stand-alone lockbox network, and offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Ashtabula, Ohio.

Its terminal-access balance reporting system was developed by Chase Access Services. Its terminal-initiated services are: wire transfers, letters of credit and stop payment. It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

Donald G. Broomfield, vice president, is chief of corporate banking services.

### Bancohio National Bank

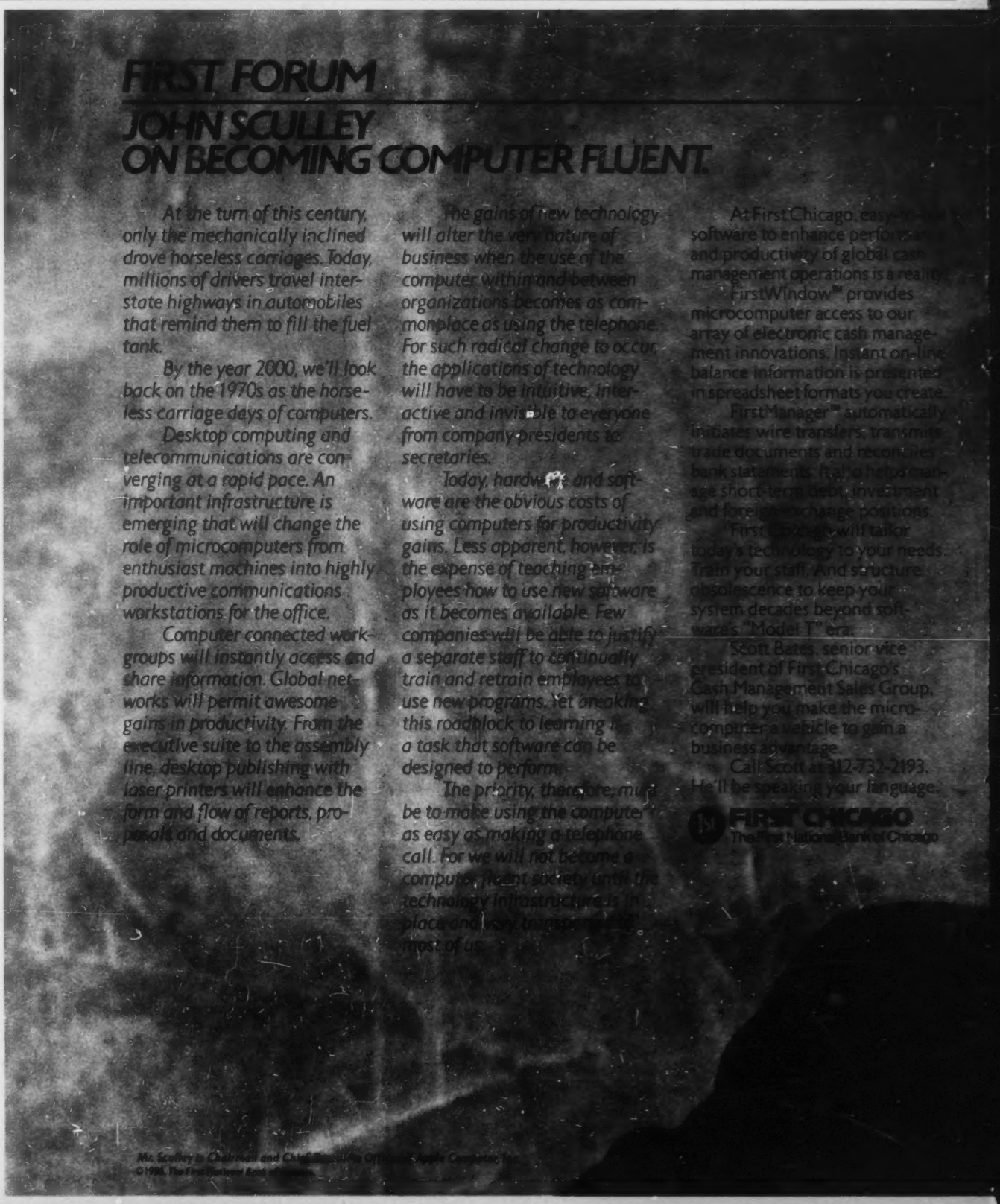
*155 E. Broad St., Columbus, Ohio 43251; (614) 463-8484*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.53%
Compensating balance ..... $24,195
Cash management professional ..... 25
ACH capability:
CTX originate
CTX receive

Bancohio National Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Delaware and Ohio.

Its outside terminal-access balance reporting system was developed by ADP Network Services. Its terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees; 75% pay in balances.

John J. Brennan is vice president and manager of corporate services.

## Bank One, Dayton

*40 N. Main, Kettering Tower, Dayton, Ohio 45401; (513) 449-8648*

Lockbox:
- Retail
- Wholesale ..... $81,000,000
- Network: ..... stand-alone

Controlled disbursement ..... $281,200,000
International:
- Wire transfers ..... $40,000,000

NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.39%
Compensating balance ..... $22,573
Cash management professionals ..... 7
ACH capability:
- CTP receive
- CTX receive

Bank One, Dayton offers Saturday lockbox processing. It offers controlled disbursement in Cambridge, Ohio, and Charden, Ohio.

Its terminal-access balance reporting system was developed by Bank-Link, and offers terminal-initiated wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

A. Richard Parker, vice president, is the chief corporate cash management executive.

## The Central Trust Co.

*201 E. Fifth St., Cincinnati, Ohio 45202-4117; (513) 651-8896*

Lockbox:
- Retail ..... $700,000
- Wholesale ..... $94,000
- Network: ..... stand-alone, mail-intercept

Controlled disbursement ..... $278,041,603
International:
- Wire transfers

Cash investments ..... $93,000,000
- Investment clients ..... 270

NCCMA account analysis ..... 1987
Earnings credit rate ..... 4.49%
Compensating balance ..... $24,869
Cash management professionals ..... 3
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

The Central Trust Co. offers controlled disbursement in Milford, Ohio.

Its terminal-access balance reporting system was developed by Chase Access.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Fifteen percent of its clients pay in fees; 85% pay in balances.

Ray D. Mallory, vice president, is the chief corporate cash management executive.

## Comerica

*211 W. Fort St., Detroit, Mich. 48226; (313) 222-7042*

Lockbox:
- Retail
- Wholesale
- Network: ..... correspondent

Controlled disbursement
NCCMA account analysis ..... 1987
Earnings credit rate ..... 5.56%
Compensating balance ..... $24,638
Cash management professionals ..... 12
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Comerica is a member of the US$NET lockbox network. It offers controlled disbursement at Comerica Bank-Metro West.

Its terminal-access balance reporting system was developed by Bank-Link. Terminal-initiated services are: wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

The chief corporate cash management executive is Thomas Hector, vice president and manager-corporate cash management.

## Continental Illinois National Bank

*231 S. LaSalle St., Chicago, Ill. 60697; (312) 828-6600*

Lockbox:
- Retail
- Wholesale
- Network: ..... mail intercept

Controlled disbursement
International:
- Multilateral netting
- Wire transfers

Cash investments ..... $4,000,000,000
- Investment clients ..... 300

NCCMA account analysis ..... 1987
Earnings credit rate ..... 5.85%
Compensating balance ..... $23,300
Cash management professionals ..... 100
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Continental Illinois National Bank has 18 cities in its mail-intercept lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Oakbrook Terrace, Ill.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payment and automatic confirmation of stop payment to customer. It has overseas lockboxes in select branches worldwide.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. It files taxes for 240 corporations. Three percent of its clients pay in fees; 97% pay in balances.

John N. Fix, senior vice president, is chief executive of the cash management department.

## Fifth Third Bank

*38 Fountain Square Plaza, Cincinnati, Ohio 95263; (513) 579-4163*

Lockbox:
- Retail
- Wholesale
- Network: ... mail intercept, correspondent

Controlled disbursement
International:
- Wire transfers

NCCMA account analysis ..... 1987
FDIC premium itemized
Earnings credit rate ..... 5.59%
Compensating balance ..... $21,467
Cash management professionals ..... 5
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

Fifth Third Bank offers Saturday lockbox processing. It offers controlled disbursement in five locations.

Its terminal-access balance reporting system was developed by Chase Access Services (IDC). It has an international lockbox in Toronto.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. About 5% of its clients pay in fees; 95% pay in balances.

James L. Doepker, vice president, is chief executive of cash management services.

## First National Bank of Chicago

*1 First National Plaza, Chicago, Ill. 60670; (312) 732-4000*

Lockbox:
- Retail
- Wholesale
- Network: ..... stand-alone

Controlled disbursement
International:
- Multilateral netting
- Wire transfers

NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 4.93%
ACH capability:
- CTP originate
- CTP receive
- CTX originate
- CTX receive

First National Bank of Chicago has five cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Frankfort Ky.; Shelbyville, Ky; Woodridge, Ill.; and Chicago.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer.

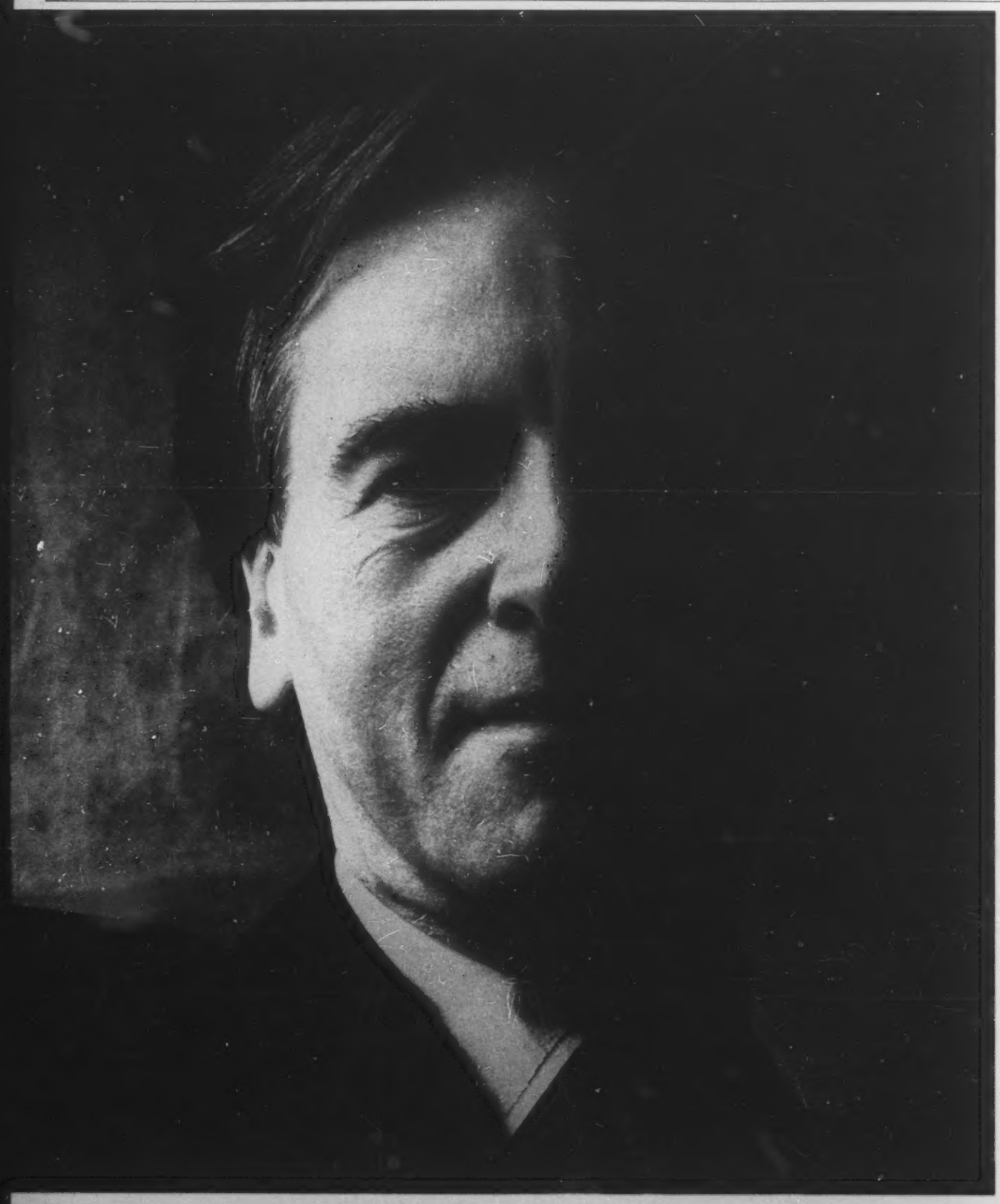
It does lockbox and disbursement consulting.

Scott E. Bates, senior vice president, is chief corporate cash management executive.

## First Wisconsin National Bank of Milwaukee

*777 E. Wisconsin Ave., Milwaukee, Wis. 53202; (414) 765-5203*

Lockbox:



Retail ..... $160,000
Wholesale ..... $290,000
Network: ..... stand-alone
Controlled disbursement
International:
Wire transfers
Earnings credit rate ..... 5.71%
Compensating balance ..... $23,432
Cash management professionals ..... 15
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Wisconsin National Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement at multiple locations.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are: wire transfers, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It is developing an overseas lockbox.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. It files taxes for 400 corporations. Ten percent of its clients pay in fees; 90% pay in balances.

The chief corporate cash management executive is Thomas A. Rave, vice president and head of the business services division.

## Harris Trust and Savings Bank

*P.O. Box 755, Chicago, Ill. 60690; (312) 461-2121*

Lockbox:
Retail
Wholesale
Network: ..... correspondent
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 5.7%
Compensating balance ..... $23,474
Cash management professionals ..... 57
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Harris Trust and Savings Bank has eight cities in its ImageNet lockbox network. It offers Saturday and Sunday lockbox processing. it offers controlled disbursement at its wholly owned subsidiaries.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are: wire transfers, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Roger A. Molzahn, senior vice president, is chief executive of the financial services group.

## Manufacturers National Bank of Detroit

*Manufacturers Bank Tower (100), Renaissance Center, Detroit, Mich. 48243; (313) 222-4000*

Lockbox:
Retail ..... $150,000
Wholesale ..... $350,000
Controlled disbursement ..... $150,000
International:
Wire transfers ..... $1,500
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.5%
Compensating balance ..... $21,429
Cash management professionals ..... 11
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Manufacturers National Bank of Detroit offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Saline.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. It files taxes for 50 corporations. Five percent of its clients pay in fees; 95% pay in balances.

Thomas B. Craigie Jr., vice president and senior corporate services officer, is chief executive of the corporate services division.

## Marine Bank

*111 E. Wisconsin Ave., Milwaukee, Wis. 53201; (414) 765-3000*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.55%
Compensating balance ..... $24,570
Cash management professionals ..... 4
ACH capability:
CTP receive
CTX originate

Marine Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Waukesha and Burlington, Wis.

Its terminal-access balance reporting system was developed by BankLink; terminal-initiated wire transfers are offered.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Half of its clients pay in fees and half pay in balances.

George P. Bichler Jr. is vice president and manager of corporate cash management.

## Merchants National Bank

*1 Merchants Plaza, Indianapolis, Ind. 46255; (317) 267-7572*

Lockbox:
Retail ..... $130,000,000
Wholesale ..... $172,000,000
Controlled disbursement ..... $75,000,000
International:
Wire transfers
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.58%
Compensating balance ..... $24,438
Cash management professionals ..... 7
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Merchants National Bank offers Sunday lockbox processing. It offers controlled disbursement in Anderson and Greenwood, Ind.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are wire transfers.

It does lockbox consulting. Its account reconciliation system was developed by Disc. Fifteen percent of its clients pay in fees, 85% pay in balances.

The chief corporate cash management executive is Laura Bonsett, vice president and manager-corporate services.

## M&I Marshall & Ilsley Bank

*770 N. Water St., Milwaukee, Wis. 53202; (414) 765-7638*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.75%
Compensating balance ..... $23,269
Cash management professionals ..... 9
ACH capability:
CTP originate
CTP receive

M&I Marshall & Ilsley Bank offers Saturday and Sunday lockbox processing.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Twenty-five percent of its clients pay in fees, 75% pay in balances.

John G. McGlynn is assistant vice president and manager-corporate services.

## Michigan National Bank

*30665 Northwestern Highway, Farmington Hills, Mich. 48019; (313) 626-8200*

Lockbox:
Retail ..... $500,000
Wholesale ..... $55,000
Controlled disbursement
International:
Multilateral netting
Wire transfers
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.59%
Compensating balance ..... $24,426
Cash management professionals ..... 42
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Michigan National Bank offers Saturday processing.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are: wire transfers, commercial paper and letters of credit.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Twenty percent of its clients pay in fees, 80% pay in balances.

Edward A. Rusin is chief executive of the cash management division.

## National Bank of Detroit

*611 Woodward, Detroit, Mich. 48232; (313) 225-1000*

Lockbox:
Retail ..... $800,000,000
Wholesale ..... $4,900,000,000
Controlled disbursement .... $3,100,000,000
International:
Wire transfers
Cash investments ..... $21,953,000
Investment clients ..... 51
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.75%
Compensating balance ..... $23,269
Cash management professionals ..... 38
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

National Bank of Detroit offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Ann Arbor and Dearborn, Mich.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Three percent of its clients pay in fees, 97% pay in balances.

Peter J. Stein is vice president and manager-corporate cash management.

## National City Bank

*P.O. Box 5756, Cleveland, Ohio 44101; (216) 575-2000*

Lockbox:
Wholesale ..... $1,323,000,000
Controlled disbursement .... $1,760,000,000
International:
Wire transfers ..... $211,241,000
Cash investments ..... $50,000,000
Investment clients ..... 10
NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 5.4%
Compensating balance ..... $25,200
Cash management professionals ..... 22
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

National City Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Ashland, Ohio.

Its terminal-access balance reporting system was developed by ADP Network Services. Terminal-initiated services are wire transfers and letters of credit.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees, 75% pay in balances.

Gary P. Obers, vice president, is chief executive of the corporate services division.

## Northern Trust Bank

*50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000*

Lockbox:
Retail
Wholesale
Network: ..... mail intercept
Controlled disbursement
International
Wire transfers
NCCMA account analysis ..... 1987
Cash management professionals ..... 43
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Northern Trust Bank has six cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Naperville, Ill.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox consulting. Its account reconciliation system was developed in-house.

Niels C. Jensen, senior vice president, is chief executive of commercial banking operations.

## Old Kent Bank & Trust Co.

*P.O. Box 100, Grand Rapids, Mich. 49501; (616) 774-5509*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
Earnings credit rate ..... 4.5%
Compensating balance ..... $30,303
Fee surcharge
Cash management professionals ..... 2
ACH capability:
CTX originate
CTX receive

Old Kent Bank & Trust Co. offers controlled disbursement in Kalamazoo, Mich.

Its terminal-access balance reporting system was developed by Chase Access Services. Its account reconciliation system was developed by Disc. About 40% of its clients pay in fees, 60% pay in balances.

David W. Lubbers is vice president and manager-corporate services.

## Society National Bank

*800 Superior Ave. N.E., Cleveland, Ohio 44140; (216) 344-3000*

Lockbox:
Retail
Wholesale
Controlled disbursement
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.6%
Compensating balance ..... $21,429
Cash management professionals ..... 6
ACH capability:
CTP originate
CTX originate
CTX receive

Society National Bank offers Saturday lockbox processing. It offers controlled disbursement in Vermilion, Ohio.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are wire transfers.

Its account reconciliation system was developed by Disc. Fifteen percent of its clients pay in fees, 85% pay in balances.

James R. Flowers is chief executive of corporate services.

## The Toledo Trust Co.

*3 Seagate, Toledo, Ohio 43603; (419) 259-8556*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.59%
Compensating balance ..... $24,390
Cash management professionals ..... 7
ACH capability:
CTP receive
CTX originate
CTX receive

The Toledo Trust Co. has controlled disbursement in Mansfield, Ohio.

Its terminal-access balance reporting system and account reconciliation system were developed in-house.

Marylou Zaloudek, vice president, is chief executive of corporate services.

The investment consultants profile issue will be published Nov. 16.

## West North Central

## Bank IV Wichita

*P.O. Box 4, Wichita, Kan. 67201; (316) 261-4000*

Lockbox:
Retail ..... $1,934,368
Wholesale ..... $103,994,400
Controlled disbursement
Earnings credit rate ..... 5.56%
Compensating balance ..... $21,582

Bank IV Wichita's terminal-access balance reporting system was developed by BankLink. Its terminal-initiated services include wire transfers. It has an international lockbox in Canada. Its account reconciliation system was developed in-house. Four percent of its clients pay in fees and 96% pay in balances.

Donald Ambrose, senior vice president, is the chief corporate cash management executive.

## Centerre Bank

*1 Centerre Plaza, St. Louis, Mo. 63101; (314) 554-6906*

Lockbox:
Retail
Wholesale
Network: ..... stand-alone, correspondent
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.6%
Compensating balance ..... $23,892
Cash management professionals ..... 13
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Centerre Bank has seven cities in its ImageNet lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Rolla, Mo.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

George D. Horn is the chief corporate cash management executive.

## Commerce Bank of Kansas City

*P.O. Box 248, Kansas City, Mo. 64141; (816) 234-2429*

Lockbox:
Retail ..... $133,868,510
Wholesale ..... $1,253,879,397
Network: ..... stand-alone
Controlled disbursement ..... $209,672,000
International:
Wire transfers
FDIC premium itemized
Earnings credit rate ..... 5.55%
Compensating balance ..... $21,621
Cash management professionals ..... 6
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Commerce Bank of Kansas City offers Saturday and Sunday lockbox processing.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are: wire transfers and letters of credit.

Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees; 80% pay in balances.

Teresa Rouse, assistant vice president, is the chief corporate cash management executive.

## First Bank System

*First Bank Place, Minneapolis, Minn. 55480; (612) 370-4141*

Lockbox:

Retail
Wholesale
Controlled disbursement
International:
Multilateral netting
Wire transfers
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.5%
Compensating balance ..... $24,327
Fee surcharge
Cash management professionals ..... 24
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Bank System offers Saturday lockbox processing. It offers controlled disbursement in central Minnesota and Fargo, N.D.

Its terminal-access balance reporting system was developed by Bank-Link. Terminal-initiated services are: wire transfers, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc and will be implemented later this year. Fifteen percent of its clients pay in fees; 85% pay in balances.

Louise M. Miner, vice president, is the chief corporate cash management executive.

### First National Bank of Omaha

*1 First National Center, Omaha, Neb. 68102; (402) 341-0500*

Lockbox:
Retail ..... $76,623,000
Wholesale ..... $63,312,000
Controlled disbursement ..... $55,000,000
International:
Wire transfers ..... $400,000
Cash investments ..... $58,000,000
Investment clients ..... 127
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.51%
Compensating balance ..... $21,369
Cash management professionals ..... 6
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First National Bank of Omaha offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Bloomfield, Blair, Tekamah and David City, Neb.

Its terminal-access balance reporting system was developed by Interactive Data Corp., First Data Resources.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Half of its clients pay in fees and half in balances.

Cynthia Frump is the chief corporate cash management executive.

### Marquette Bank Minneapolis

*Sixth and Marquette, Minneapolis, Minn. 55480; (612) 341-5650*

Lockbox:
Wholesale
Network: ..... stand-alone
Controlled disbursement
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.61%
Compensating balance ..... $23,483
Cash management professionals ..... 3
ACH capability:
CTP originate
CTP receive

Marquette Bank Minneapolis offers controlled disbursement in Rochester and Hutchinson, Minn.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are wire transfers. Stop payments will be available by year-end.

Its account reconciliation system was developed by Systematics. Two percent of its clients pay in fees, 98% pay in balances.

Reid Evenson is assistant vice president and manager-cash management division.

### Mercantile Bank

*Mercantile Tower, P.O. Box 524, St. Louis, Mo. 63166; (314) 425-8366*

Lockbox:
Retail
Wholesale
Network: ..... stand-alone
Controlled disbursement
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.56%
Compensating balance ..... $24,064
Cash management professionals ..... 17
ACH capability:
CTP originate
CTP receive
CTX receive

Mercantile Bank has two cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in 13 locations.

Its terminal-access balance reporting system was developed by National Data Corp.-NETS. Terminal-initiated services are: wire transfers, letters of credit and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. NCCMA account analysis standard will be offered only as requested.

About 25% of its clients pay in fees; about 75% pay in balances.

Leo M. Malone, senior vice president-division executive, is chief executive of the financial services division.

### Norwest Bank Minneapolis

*Eighth Street & Marquette Avenue, Minneapolis, Minn. 55479; (612) 372-8123*

Lockbox:
Retail ..... $250,000,000
Wholesale ..... $1,200,000,000
Network: ..... stand-alone
Controlled disbursement ..... $2,600,000,000
International:
Multilateral netting
Wire transfers ..... $2,000,000,000
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 4.92%
Compensating balance ..... $23,183
Cash management professionals ..... 26
ACH capability:
CTP receive
CTX originate
CTX receive

Norwest Bank Minneapolis has two cities in its stand-alone lockbox network. It offers Saturday lockbox processing. It offers controlled disbursement in Red Wing and Mankato, Minn.; Milbank, S.D.; and in six locations in Montana.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers and letters of credit. The bank will offer terminal-initiated stop payments, including automatic confirmation of stop payment to customer, in late 1987.

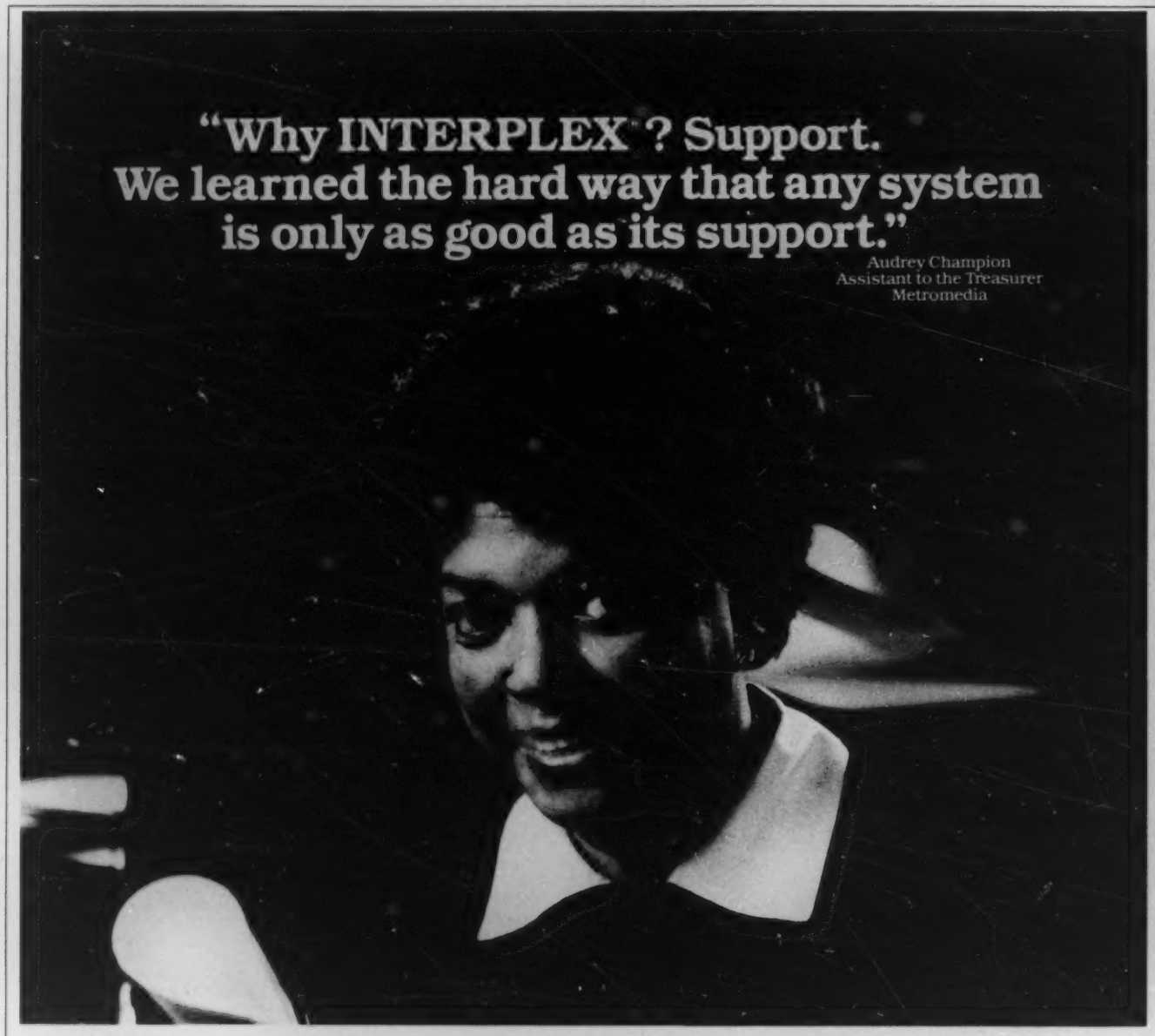
It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. It files taxes for 200 corporate accounts. Fifty percent of its clients pay in fees, 50% pay in balances.

Karl Ostby, vice president, is chief executive of Norwest Cash Management.

### Norwest Bank Nebraska

*1919 Douglas St., Omaha, Neb. 68102; (402) 536-2550*

Lockbox:
Retail ..... $215,000,000
Wholesale ..... $35,000,000
Network: ..... stand-alone
Controlled disbursement ..... $350,000,000
International:
Multilateral netting
Wire transfers


"Before we discovered INTERPLEX, we had signed up for another financial management system.

It looked great on paper. All the functions were there. Everything seemed to be covered.

Then came the *shock*. It was only on paper. They simply could not deliver the product and we lost *one complete year*!

INTERPLEX, however, is a working system in *fact*, not theory. It's complete with the software including upgrades and enhancements. Plus the knowledgeable people to support it on a continual basis.

When we installed INTERPLEX, we found to our amazement, we were on-line in only *three days*.

But, most importantly, the INTERPLEX people responded to our needs and requirements rather than saying 'Here is the software package available.'

That's the kind of *support* that makes all the difference.

It's a lesson we learned the hard way."

**What INTERPLEX offers:**

INTERPLEX is a microcomputer-based management system that gathers, formats, stores, retrieves and manipulates your corporate financial information. Automatically.

The system has been designed to be totally flexible to your corporation's technological and informational needs—ranging from the most basic to the most complex.

**How INTERPLEX differs:**

In a field rife with over-promises, false starts and support problems, INTERPLEX has carved out a unique reputation as the system that *delivers*.

We have the expertise, the people and the installation and support capabilities to make your venture into information automation painless. And rewarding.

**The INTERPLEX promise:**

As the standard in the field of treasury automation, INTERPLEX will put you and keep you in the vanguard of information management.

Spurred on by the commitment of Manufacturers Hanover, we will continue to evolve. And to lead.

Enter the world of INTERPLEX. Contact George Chelius, Vice President and Manager of Sales, Financial Services Group, at 212-808-0292.

MANUFACTURERS HANOVER

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NCCMA account analysis ..... 1989
Earnings credit rate ..... 4.92%
Compensating balance ..... $23,183
Cash management professionals ..... 4
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Norwest Bank Nebraska has a lockbox site in Omaha. It offers Saturday lockbox processing. It offers controlled disbursement in Red Wing and Mankato, Minn.; La Crosse, Wis.; Milbank, S.D.; and six cities in Montana.

Its terminal-access balance reporting system was developed in-house. Its terminal-initiated services are wire transfers and letters of credit. Stop payments, including automatic confirmation to customer, will be available later this year.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Edward Ostransky, vice president, is chief corporate cash management executive.

## Norwest Bank South Dakota

*101 N. Phillips Ave., Sioux Falls, S.D. 57101; (605) 339-7300*

Lockbox:
Wholesale
Network: ..... stand-alone
Controlled disbursement
Cash investments ..... $15,000,000
Investment clients ..... 10
Earnings credit rate ..... 5.6%
Compensating balance ..... $24,680
Cash management professionals ..... 2
ACH capability:
CTP originate
CTP receive

Norwest Bank South Dakota has a lockbox site in Minneapolis. It offers Sunday lockbox processing. It offers controlled disbursement in Minneapolis, Sioux Falls and Rapid City, S.D.

Its terminal-access balance reporting system was developed by FDR.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Norwest Corp. Sixty percent of its clients pay in fees; 40% pay in balances.

D.S. Hooper and T. Houdek are the chief corporate cash management executives.

## United Missouri Bank of Kansas City

*P.O. Box 226, Kansas City, Mo. 64141; (816) 556-7000*

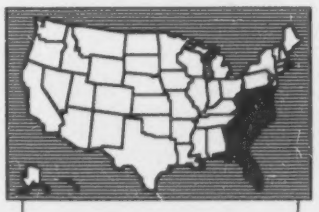
Lockbox:
Retail ..... $67,919,262
Wholesale ..... $421,620,577
Network: ..... correspondent
Controlled disbursement ..... $415,965,971
International:
Multilateral netting
Wire transfers ..... $85,886
Cash investments ..... $901,000,000
Earnings credit rate ..... 5.11%
Compensating balance ..... $26,667
Cash management professionals ..... 5
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

United Missouri Bank of Kansas City has two cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement from four locations: Warsaw, Cass County, Carthage and Paris, Mo.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are wire transfers, letters of credit and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees, 75% pay in balances.

Gary Foltz, senior vice president, is chief executive of corporate services.



South Atlantic

## Bank of Delaware

*222 Delaware Ave., Wilmington, Del. 19899; (302) 429-2257*

Lockbox:
Retail
Wholesale ..... $45,000,000
Controlled disbursement
International:
Wire transfers ..... $300,000
Cash investments ..... $108,000,000
Investment clients ..... 420
Earnings credit rate ..... 5.59%
Compensating balance ..... $23,520
Cash management professionals ..... 4
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Bank of Delaware's terminal-access balance reporting system was developed by ADP, and it offers terminal-initiated wire transfers.

Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees; 80% pay in balances.

Gale D. Lattanzio, cash management sales consultant, is chief executive of cash management sales consulting.

## Barnett Banks Inc.

*100 Laura St., Jacksonville, Fla. 32231; (904) 791-7901*

Lockbox:
Retail
Wholesale
Network: ..... stand-alone
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.5%
Compensating balance ..... $24,793
Cash management professionals ..... 40
ACH capability:
CTP originate
CTP receive

Barnett Banks Inc. offers Saturday lockbox processing. It has five cities in its lockbox network. It offers controlled disbursement in Tallahassee, Fla.

Its terminal-access balance reporting system was developed by NDC. Its terminal initiated services are: wire transfers and commercial paper.

Its account reconciliation system was developed by Disc. Fifty percent of its clients pay in fees; 50% pay in balances.

Andrew Higgins is senior vice president-corporate services.

## Branch Banking and Trust

*333 Fayetteville Mall, P.O. Box 27961, Raleigh, N.C. 27611; (919) 831-4063*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.59%
Compensating balance ..... $23,935
Cash management professionals ..... 10
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Branch Banking and Trust Co. offers controlled disbursement in Lowel, N.C.

Its terminal-access balance reporting system was developed by ADP. Its account reconciliation system was developed by Disc. Fifteen percent of its clients pay in fees; 85% pay in balances.

George F. Markle is chief executive of cash management services.

## The Citizens and Southern National Bank

*P.O. Box 4899, Atlanta, Ga. 30302-4899; (404) 581-3108*

Lockbox:
Retail ..... $820,000,000
Wholesale ..... $5,000,000,000
Network: ..... stand-alone
Controlled disbursement ... $15,000,000,000
International:
Wire transfers ..... $885,000,000
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.49%
Compensating balance ..... $24,400
Fee surcharge
Cash management professionals ..... 54
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

The Citizens and Southern National Bank is a member of the IMAGENET lockbox network. It offers Saturday and Sunday lockbox processing.

Controlled disbursement is offered in Atlanta; DeKalb County, Ga.; Fort Myers, Fla.; and Charleston, S.C.

Its terminal-access balance reporting system is CMX, developed by National Data Corp. The bank purchased Advantage Systems' FORTE in April, however, and expects to be completely on that system by late 1987 or early 1988. Its terminal-initiated services include: wire transfers, letters of credit, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc II ARP. It files taxes for 100 corporations. Twenty percent of its clients pay in fees; 80% pay in balances.

H.B. "Rhen" Cain, executive vice president, is the chief corporate cash management executive.

## Equitable Bank

*100 S. Charles St., Baltimore, Md. 21201; (301) 547-4206*

Lockbox:
Retail
Wholesale
Controlled disbursement
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.59%
Compensating balance ..... $23,935
Cash management professionals ..... 14

Equitable Bank offers controlled disbursement in Dover, Del., and Baltimore.

Its terminal-access balance reporting system was developed by BankLink, and offers terminal-initiated wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Fifteen percent of its clients pay in fees; 85% pay in balances.

R.W. Quinlan, vice president, is chief corporate cash management executive.

## First National Bank of Maryland

*P.O. Box 1596, Baltimore, Md. 21203; (301) 244-3890*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
Cash investments ..... $50,000,000
Earnings credit rate ..... 5.56%
Compensating balance ..... $21,177
Cash management professionals ..... 19
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First National Bank of Maryland offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Millsboro, Del., and Baltimore.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are: wire transfers, stop payment and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house.

J. William Murray, senior vice president, is chief executive of the cash management division.

## First Union National Bank of Georgia

*P.O. Box 1700, Atlanta, Ga. 30370; (404) 659-6206*

Lockbox:
Wholesale
Controlled disbursement
International:
Wire transfers
Cash investments ..... $16,000,000
Investment clients ..... 15
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.95%
Compensating balance ..... $19,788
Cash management professionals ..... 5
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Union National Bank of Georgia has three cities in its lockbox network. It offers controlled disbursement in Griffin, Ga.; Chapel Hill, N.C.; and New Smyrna Beach, Fla.

Its terminal-access balance reporting system was developed by NDC.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc Comprehension ARP.

Christina Carman is assistant vice president and manager of corporate services.

## First Union National Bank of Florida

*P.O. Box 2080, Jacksonville, Fla. 32231; (904) 361-4491*

Lockbox:
Retail ..... $180,700,000
Wholesale ..... $143,700,000
Network: ..... stand-alone
Controlled disbursement ..... $420,000,000
International:
Wire transfers ..... $10,000,000
NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 5.76%
Compensating balance ..... $23,674
Cash management professionals ..... 15
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Union National Bank of Florida has three cities in its lockbox network. It offers Saturday lockbox processing.

It offers controlled disbursement in New Smyrna Beach, Fla.

Its terminal-access balance reporting system was developed by NDC.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Forty percent of its clients pay in fees, 60% pay in balances.

The chief cash management executive is Raymond A. Breault, senior vice president, manager-corporate financial services.

## First Union National Bank of North Carolina

*301 S. Tryon St., Charlotte, N.C. 28288; (704) 374-2715*

Lockbox:
Wholesale
Controlled disbursement .... $7,300,000,000
International:
Wire transfers
Cash investments ..... $295,000,000
Investment clients ..... 525
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.95%
Compensating balance ..... $19,788
Cash management professionals ..... 38
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Union National Bank of North Carolina, which includes First Union's affiliates in South Carolina and Georgia, has three cities in its lockbox network. It offers controlled disbursement in Chapel Hill, N.C.; Griffin, Ga.; and New Smyrna Beach, Fla.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are: wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc Comprehension ARP.

Donald M. MacLeod is vice president and manager-corporate services. National contact is Jane V. Greeson, vice president and manager; North Carolina contact is Nina R. Archer, assistant vice president and manager.

## First Union National Bank of South Carolina

*P.O. Box 1329, Greenville, S.C. 29602; (803) 255-8163*

Lockbox:
Wholesale
Controlled disbursement .... $7,300,000,000
International:
Wire transfers
Cash investments ..... $80,000,000
Investment clients ..... 225
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.95%
Compensating balance ..... $19,788
Cash management professionals ..... 5
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Union National Bank of South Carolina has three cities in its lockbox network. It offers controlled disbursement in Chapel Hill, N.C.; Griffin, Ga.; and New Smyrna Beach, Fla.

Its terminal-access balance reporting system was developed by ADP,

### Availability of NCCMA account analysis standard

**1987**

ABN LaSalle Nat'l Bank
Central Trust/Cincinnati
Chemical Bank
Comerica
Continental Illinois Nat'l Bank
Fifth Third Bank
First Nat'l Bank/Albuquerque
First Nat'l Bank of Commerce
Manufacturers Hanover Trust
Northern Trust
Rainier Bank

**1988**

AmeriTrust
Bank of Boston
Bank of Oklahoma
Bank One, Dayton
Bankers Trust
Branch Banking & Trust
Central Nat'l Bank/Okla.
Colorado Nat'l Bank/Denver
Connecticut Bank & Trust
First American Nat'l Bank
First Bank System
First City Nat'l Bank/Houston
First Interstate Bank/Oklahoma
First Jersey Nat'l Bank
First Nat'l Bank/Chicago
First Security Bank/Utah
First Tennessee Bank
First Union Nat'l Bank/Florida
First Wachovia
Harris Trust and Savings Bank
Manufacturers Nat'l Bank
Mercantile Bank
Michigan Nat'l Bank
Nat'l Bank of Detroit
Nat'l City Bank
Pittsburgh Nat'l Bank
Southeast Bank
Sovran Bank/Maryland
Sovran Bank/Virginia
Third Nat'l Bank/Nashville
Wells Fargo Bank

**1989 or later**

Bancohio Nat'l Bank
Bank of Hawaii
Bank of New York
Barnett Banks
Centerre Trust
Citizens & Southern Nat'l Bank
Connecticut Nat'l Bank
Deposit Guaranty Nat'l Bank
Equitable Bank
Fidelity Bank
First Interstate Bank
First Interstate Bank/Arizona
First Interstate Bank/California
First Interstate Bank/Denver
First Interstate Bank/Oregon
First Interstate Bank/Washington
First Nat'l Bank/Maryland
First Nat'l Bank/Omaha
First Pennsylvania Bank
First RepublicBank
First Union Nat'l Bank/Georgia
First Union Nat'l Bank/N.C.
First Union Nat'l Bank/S.C.
Florida Nat'l Bank
Hibernia Nat'l Bank
Liberty Nat'l Bank & Trust
Marine Bank
Marquette Bank
MBank Houston
Merchants Nat'l Bank
M&I Marshall & Ilsley Bank
NBC Bank/San Antonio
Norwest Bank Minneapolis
Norwest Bank Nebraska
Old Kent Bank & Trust
Provident Nat'l Bank
Security Pacific Nat'l Bank
Shawmut Bank
Signet Bank
Signet Bank/Maryland
Signet Bank/Virginia
Society Nat'l Bank
Sun Bank
United Virginia Bank
U.S. Nat'l Bank/Oregon

and offers terminal-initiated wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc Comprehension ARP.

The chief corporate cash management executive is Charles Sims Propst, vice president.

### First Wachovia Corp.

*P.O. Box 3099, Winston-Salem, N.C. 27150; (919) 770-6439; 2 Peachtree St. N.W., Atlanta, Ga. 30383; (404) 332-6592*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Network: | stand-alone |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1988 |
| Earnings credit rate | 5.59% |
| Compensating balance | $23,935 |
| Cash management professionals | 41 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First Wachovia Corp., the holding company for Wachovia Bank and Trust Co. in Winston-Salem and First National Bank of Atlanta, has three cities in its stand-alone lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Augusta, Ga., and in Asheville, Greenville, Raleigh and Winston-Salem, N.C.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Jack Meckler, group vice president, is chief executive of the cash management group.

### Florida National Bank

*225 Water St., Jacksonville, Fla. 32201; (904) 359-5042*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Controlled disbursement | |
| FDIC premium itemized | |
| Earnings credit rate | 5.59% |
| Compensating balance | $20,400 |
| Fee surcharge | |
| Cash management professionals | 18 |

Florida National Bank offers controlled disbursement in Orlando and Miami.

Its terminal-access balance reporting system was developed by BankLink and Microlink. Terminal-initiated services are wire transfers.

Its account reconciliation system was developed by Disc. About 25% of its clients pay in fees; 75% pay in balances.

J. Stewart Baker, senior vice president, is chief executive of cash management.

### NCNB National Bank of N.C.

*1 NCNB Plaza, Charlotte, N.C. 28255; (704) 374-5698*

| | |
|---|---|
| Lockbox: | |
| Wholesale | $4,750,000,000 |
| Controlled disbursement | $7,000,000,000 |
| International: | |
| Wire transfers | |
| Cash investments | $7,500,000,000 |
| Earnings credit rate | 5.82% |
| Compensating balance | $22,989 |
| Cash management professionals | 60 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

NCNB National Bank of N.C. offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Asheville, N.C., and Tampa, Fla.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees, 75% pay in balances.

H.D. "Buddy" LeTourneau is senior vice president-cash management division executive.

### Signet Bank

*1130 Connecticut Ave. N.W., Washington, D.C. 20036; (202) 331-2116*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | $409,950 |
| Network: | stand-alone |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.59% |
| Compensating balance | $24,733 |
| Cash management professionals | 16 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Signet Bank has three cities in its lockbox network.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Seventy percent of its clients pay in fees, 30% pay in balances.

Douglas T. Lubienski, senior vice president, is chief executive of the cash management department.

### Signet Bank/Maryland

*P.O. Box 1077, Baltimore, Md. 21203; (301) 332-5187*

| | |
|---|---|
| Lockbox: | |
| Retail | $26,860,000 |
| Wholesale | $90,797,000 |
| Controlled disbursement | $47,923,939 |
| International: | |
| Wire transfers | $11,000,000 |
| NCCMA account analysis | 1989 |
| FDIC premium itemized | |
| Earnings credit rate | 5.25% |
| Compensating balance | $22,119 |
| Cash management professionals | 21 |
| ACH capability: | |
| CTX originate | |
| CTX receive | |

Signet Bank/Maryland offers controlled disbursement in Towson, Md.

Its terminal-access balance reporting system was developed by National Data Corp. Terminal-initiated services are wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Douglas T. Lubienski, senior vice president, is chief executive of the cash management department.

### Signet Bank/Virginia

*7 N. Eighth St., Richmond, Va. 23260; (804) 771-7000*

| | |
|---|---|
| Lockbox: | |
| Retail | $119,600,000 |
| Wholesale | $57,700,000 |
| Network: | stand-alone |
| Controlled disbursement | $668,000,000 |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.59% |
| Compensating balance | $24,733 |
| Cash management professionals | 16 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Signet Bank/Virginia has three cities in its lockbox network. It offers controlled disbursement in White Stone, Va.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Fifty-seven percent of its clients pay in fees; 43% pay in balances.

Douglas T. Lubienski, senior vice president, is chief executive of the cash management department.

### Southeast Bank

*1 Southeast Financial Center, Miami, Fla. 33131; (305) 375-6675*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Controlled disbursement | |
| International: | |
| Wire transfers | |


# THE BEST TRAINED CASH MANAGERS ALL COME FROM THE SAME UNIVERSITY.

It may not have an ivy-covered campus or even a football team.

But Cash Management University® turns out the highest quality cash managers around.

That's because Cash Management University is a unique banking school within Mellon Bank. It offers continuing education for over 500 Mellon professional cash managers and bank personnel.

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What's more, most new representatives spend at least a year on the job under the guidance of an experienced cash management officer. This way, our cash managers not only learn to recognize customer problems, but also the best ways to solve them.

It's simply another one of the benefits of a quality education—not only for the students of Cash Management University, but also for our customers.

**Mellon Bank**
Quality banking.

NCCMA account analysis ..... 1988
FDIC premium itemized
Earnings credit rate ..... 5.5%
Compensating balance ..... $24,327
Cash management professionals ..... 30
ACH capability:
CTP receive

Southeast Bank offers Saturday lockbox processing. It offers controlled disbursement in Fort Myers, Perry, Orlando and Fort Lauderdale, Fla.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are wire transfers, stop payments and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% in balances.

Robert Schoen, senior vice president, is chief executive of corporate services.

### Sovran Bank

*P.O. Box 27025, Richmond, Va. 23261; (804) 788-2424*

Lockbox:
Retail
Wholesale
Network: ..... mail intercept
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.75%
Compensating balance ..... $23,715
Cash management professionals ..... 31
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Sovran Bank offers controlled disbursement in Bedford, Va.

Its terminal-access balance reporting system was developed by NDC/ADP. Terminal-initiated services are wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. It files taxes for 54 corporations. Thirty percent of its clients pay in fees, 70% pay in balances.

Michael W. Paulette, senior vice president, is chief executive of the cash management department.

### Sovran Bank/Maryland

*6610 Rockledge Drive, Bethesda, Md. 20817; (301) 493-2861*

Lockbox:
Retail
Wholesale
Controlled disbursement
International:
Wire transfers
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.75%
Compensating balance ..... $23,715
Cash management professionals ..... 13
ACH capability:
CTX receive

Sovran Bank/Maryland offers controlled disbursement in Bedford, Va.

Its terminal-access balance reporting system was developed by ADP.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. It files taxes for 64 corporations. Thirty percent of its clients pay in fees, 70% pay in balances.

Janice Claudio, senior vice president, is chief executive of cash management.

### Sun Bank

*P.O. Box 3833, Orlando, Fla. 32897; (305) 237-4977*

Lockbox:
Retail ..... $85,000,000
Wholesale ..... $145,000,000
Controlled disbursement
International:
Wire transfers
Cash investments ..... $410,000,000
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.59%
Compensating balance ..... $24,733
Cash management professionals ..... 14
ACH capability:
CTP originate
CTP receive
CTX receive

Sun Bank offers Saturday and Sunday lockbox processing.

Its terminal-access balance reporting system was developed in-house and by NDC. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Five percent of its clients pay in fees, 95% in balances.

Robert W. Pledger, senior vice president, is chief executive of the corporate cash management department.

### Trust Co. Bank

*P.O. Box 4418, Atlanta, Ga. 30302; (404) 588-7115*

Lockbox:
Wholesale ..... $2,500,000,000
Controlled disbursement ..... $1,100,000,000
International:
Wire transfers
Cash investments ..... $300,000,000
Investment clients ..... 10
FDIC premium itemized
Earnings credit rate ..... 5.59%
Compensating balance ..... $24,400
Fee surcharge
Cash management professionals ..... 9
ACH capability:
CTP receive
CTX receive

Trust Co. Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Smyrna and Rome, Ga.

Its terminal-access balance reporting system was developed by National Data Corp. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Ten percent of its clients pay in fees, 90% pay in balances.

Ward Gailey, group vice president, is chief executive of corporate services.

### United Virginia Bank

*919 E. Main St., Richmond, Va. 23219; (804) 782-7552*

Lockbox:
Retail ..... $23,600,000
Wholesale ..... $378,400,000
Network: ..... mail intercept
Controlled disbursement ..... $70,540,000
International:
Wire transfers
Investment clients ..... 559
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.65%
Compensating balance ..... $23,681
Cash management professionals ..... 35
ACH capability:
CTX receive

United Virginia Bank has three cities in its lockbox network. It offers Saturday lockbox processing. It offers controlled disbursement in Charlottesville, Va.

Its terminal-access balance reporting system was developed by NDC. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Ten percent of its clients pay in fees, 90% pay in balances.

William E. Doyle Jr. is senior vice president-cash management division.

### Wilmington Trust Co.

*Wilmington Trust Center, Rodney Square North, Wilmington, Del. 19890; (302) 651-8082*

Lockbox:
Retail
Wholesale
Controlled disbursement
Earnings credit rate ..... 5.59%
Compensating balance ..... $21,467
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Wilmington Trust Co.'s terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers and stop payments, including automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. About 85% of its clients pay in fees, 15% pay in balances.

Marion S. Marine is manager-corporate banking services.

The master trust directory will be published Sept. 7.

## East South Central

### AmSouth Bank

*P.O. Box 11007, Birmingham, Ala. 35288; (205) 326-5120*

Lockbox:
Retail ..... $182,000,000
Wholesale ..... $418,000,000
Controlled disbursement ..... $52,000,000
International:
Wire transfers ..... $692,000,000
FDIC premium itemized
Earnings credit rate ..... 5.53%
Compensating balance ..... $24,195
Cash management professionals ..... 3

AmSouth Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Sulligent, Ala.

Its terminal-access balance reporting system was developed by National Data Corp. It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

David Simmons is vice president and department manager-cash management sales.

### Deposit Guaranty National Bank

*P.O. Box 1200, Jackson, Miss. 39215-1200; (601) 354-8583*

Lockbox:
Wholesale ..... $69,250,000
Controlled disbursement ..... $275,000,000
International:
Wire transfers ..... $894,502
Cash investments ..... $35,500,000
Investment clients ..... 60
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.52%
Compensating balance ..... $24,845
Cash management professionals ..... 3
ACH capability:
CTX originate
CTX receive

Deposit Guaranty National Bank offers controlled disbursement in Hattiesburg, Miss., and New Hebron, Miss.

Its terminal-access balance reporting system was developed by National Data Corp.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Forty-one percent of its clients pay in fees; 59% pay in balances.

Jill M. Rushing, vice president and manager, is the chief corporate cash management executive.

### First American National Bank

*First American Center, Nashville, Tenn. 37237; (615) 748-2272*

Lockbox:
Retail ..... $103,625,710
Wholesale ..... $156,993,264
Controlled disbursement ..... $749,000,000
International:
Wire transfers ..... $1,200,000
NCCMA account analysis ..... 1988
Earnings credit rate ..... 5.71%
Compensating balance ..... $29,056
Cash management professionals ..... 9
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First American National Bank offers controlled disbursement in three Tennessee cities: Cleveland, Paris and Johnson City.

Its terminal-access balance reporting system was developed by Chase Access Services.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees; 75% pay in balances.

Tipton H. Evans, vice president, is chief corporate cash management executive.

### First National Bank of Louisville

Percentage of clients paying in balances and in fees

| Bank | % balances | % fees |
|---|---|---|
| ABN LaSalle Nat'l Bank | 95 | 5 |
| AmeriTrust | 80 | 20 |
| Bancohio Nat'l Bank | 75 | 25 |
| Bank IV Wichita | 96 | 4 |
| Bank of Boston | 70 | 30 |
| Bank of Delaware | 80 | 20 |
| Bank of New York | 100 | |
| Bank of Oklahoma | 65 | 35 |
| Bankers Trust | 90 | 10 |
| Barnett Banks | 50 | 50 |
| Branch Banking & Trust | 85 | 15 |
| Central Nat'l Bank & Trust/Oklahoma | 35 | 65 |
| Central Trust/Cincinnati | 85 | 15 |
| Chemical Bank | 80 | 20 |
| Citizens & Southern Nat'l Bank | 80 | 20 |
| Colorado Nat'l Bank of Denver | 100 | |
| Commerce Bank/Kansas City | 80 | 20 |
| Connecticut Bank & Trust | 95 | 5 |
| Connecticut Nat'l Bank | 80 | 20 |
| Continental Bank | 99 | 1 |
| Continental Illinois Nat'l Bank | 97 | 3 |
| Deposit Guaranty Nat'l Bank | 59 | 41 |
| Equitable Bank | 85 | 15 |
| Fidelity Bank | 90 | 10 |
| Fifth Third Bank | 93 | 7 |
| First American Nat'l Bank | 75 | 25 |
| First Bank System | 85 | 15 |
| First City Nat'l Bank/Houston | 80 | 20 |
| First Interstate Bank | 60 | 40 |
| First Interstate Bank/Arizona | 50 | 50 |
| First Interstate Bank/Oklahoma | 75 | 25 |
| First Jersey Nat'l Bank | 90 | 10 |
| First Nat'l Bank/Albuquerque | 35 | 65 |
| First Nat'l Bank of Commerce | 97 | 3 |
| First Nat'l Bank/Louisville | 75 | 25 |
| First Nat'l Bank/Omaha | 50 | 50 |
| First Pennsylvania Bank | 70 | 30 |
| First Security Bank/Utah | 30 | 70 |
| First Tennessee Bank | 72 | 28 |
| First Union Nat'l Bank/Florida | 60 | 40 |
| First Wisconsin Nat'l Bank | 90 | 10 |
| Fleet Nat'l Bank | 60 | 40 |
| Florida Nat'l Bank | 75 | 25 |
| Hibernia Nat'l Bank | 99 | 1 |
| Liberty Nat'l Bank & Trust | 90 | 10 |
| Manufacturers Hanover Trust | 85 | 15 |
| Maufacturers Nat'l Bank | 95 | 5 |
| Marine Bank | 50 | 50 |
| Marquette Bank | 98 | 2 |
| MBank Houston | 90 | 10 |
| Mellon Bank | ** | ** |
| Mercantile Bank | 80 | 20 |
| Merchants Nat'l Bank | 85 | 15 |
| Michigan Nat'l Bank | 80 | 20 |
| M&I Marshall & Ilsley Bank | 75 | 25 |
| Nat'l Bank of Detroit | 97 | 3 |
| Nat'l City Bank | 75 | 25 |
| Nat'l Westminster Bank | 50 | 50 |
| NBC Bank/San Antonio | 85 | 15 |
| NCNB Nat'l Bank/North Carolina | 75 | 25 |
| Norwest Bank Minneapolis | 50 | 50 |
| Norwest Bank South Dakota | 40 | 60 |
| Old Kent Bank & Trust | 70 | 30 |
| Philadelphia Nat'l Bank | 80 | 20 |
| Pittsburgh Nat'l Bank | 75 | 25 |
| Provident | 70 | 30 |
| Rainer Bank | 50 | 50 |
| Security Pacific Nat'l Bank | 90 | 10 |
| Shawmut Bank | 80 | 20 |
| Signet Bank | 30 | 70 |
| Signet Bank/Virginia | 43 | 57 |
| Society Nat'l Bank | 85 | 15 |
| Southeast Bank | 80 | 20 |
| Sovran Bank/Maryland | 70 | 30 |
| Sovran Bank/Virginia | 70 | 30 |
| State Street Bank & Trust | 80 | 20 |
| Sun Bank | 95 | 5 |
| Texas American Banks | 20 | 80 |
| Texas Commerce Bank | 80 | 20 |
| Third Nat'l Bank/Nashville | 85 | 15 |
| Trust Company Bank | 90 | 10 |
| United Bank of Denver | 30 | 70 |
| United Jersey Bank | 95 | 5 |
| United Missouri Bank/Kansas City | 75 | 25 |
| United Virginia Bank | 90 | 10 |
| U.S. Nat'l Bank/Oregon | 60 | 40 |
| Valley Nat'l Bank | 80 | 20 |
| Wells Fargo Bank | 85 | 15 |
| Wilmington Trust | 15 | 85 |
| Average | 73 | 27 |

** no breakout available, majority in balances

*P.O. Box 36000, Louisville, Ky. 40233; (502) 581-5345*

| | |
|---|---|
| Lockbox: | |
| Retail | $75,000,000 |
| Wholesale | $250,000,000 |
| Controlled disbursement | $308,000,000 |
| International: | |
| Wire transfers | |
| Cash investment clients | 300 |
| Earnings credit rate | 5.558% |
| Compensating balance | $24,535 |
| Cash management professionals | 7 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First National Bank of Louisville offers Saturday lockbox processing. It offers controlled disbursement in Shepherdsville and Taylorsville, Ky.

Its terminal-access balance reporting system was developed by Chase Access Services, and offers terminal-initiated wire transfers.

Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees, 75% pay in balances.

H. David Simon, vice president-corporate services, is chief executive of corporate product management and development.

### First Tennessee Bank

*P.O. Box 84, Memphis, Tenn. 38101; (901) 523-4767*

| | |
|---|---|
| Lockbox: | |
| Retail | $18,100,000 |
| Wholesale | $425,000,000 |
| Network: | stand-alone, mail intercept correspondent |
| Controlled disbursement | $2,421,000,000 |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1988 |
| FDIC premium itemized | |
| Earnings credit rate | 5.53% |
| Compensating balance | $24,195 |
| Cash management professionals | 16 |
| ACH capability: | |
| CTX originate | |
| CTX receive | |

First Tennessee Bank has 40 receiving hubs in eight states for its lockbox network. It offers Saturday and Sunday lockbox processing.

It offers controlled disbursement in Jackson, Dyersburg, Cookeville and Murfreesboro, Tenn.

Its terminal-access balance reporting system was developed by Chase Access. Terminal-initiated services are wire transfers and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc Recon. Twenty-eight percent of its clients pay in fees, 72% pay in balances.

J. Kenneth Youngblood, senior vice president, is the chief corporate cash management executive.

### Third National Bank in Nashville

*201 Fourth Ave. N., Nashville, Tenn. 37244; (615) 748-5303*

| | |
|---|---|
| Lockbox: | |
| Retail | $246,000,000 |
| Wholesale | $119,419 |
| Controlled disbursement | $943,000,000 |
| International: | |
| Wire transfers | $10,000,000 |
| NCCMA account analysis | 1988 |
| Earnings credit rate | 5.69% |
| Compensating balance | $21,090 |
| Cash management professionals | 16 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Third National Bank in Nashville offers Saturday lockbox processing.

Its terminal-access balance reporting system was developed by Bank-Link and MicroLink. Terminal-initiated services are wire transfers, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. About 15% of its clients pay in fees, 85% pay in balances.

James A. Robertson, senior vice president, is chief executive of the corporate services department.

**Third quarter investment bank rankings will run Oct. 5.**

## West South Central

### Bank of Oklahoma

*P.O. Box 2300, Tulsa, Okla. 74192; (918) 588-6000*

| | |
|---|---|
| Lockbox: | |
| Retail | $12,000,000 |
| Wholesale | $164,000,000 |
| Controlled disbursement | $1,046,000,000 |
| International: | |
| Wire transfers | $7,000,000 |
| NCCMA account analysis | 1988 |
| FDIC premium itemized | |
| Earnings credit rate | 5.59% |
| Compensating balance | $24,394 |
| Cash management professionals | 9 |
| ACH capability: | |
| CTX originate | |
| CTX receive | |

The Bank of Oklahoma has two banks in its lockbox network. It offers controlled disbursement in 10 locations.

Its terminal-access balance reporting system was developed by National Data Corp., and offers terminal-initiated wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Thirty-five percent of its clients pay in fees; 65% pay in balances.

Robert A. McDaniel is senior vice president and manager of corporate services.

### Central National Bank & Trust Co. of Enid

*P.O. Box 3448, Enid, Okla. 73702; (405) 233-3535*

| | |
|---|---|
| Controlled disbursement | $63,227,540 |
| NCCMA account analysis | 1988 |
| Earnings credit rate | 5.59% |
| Compensating balance | $20,405 |
| Cash management professionals | 2 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Central National Bank & Trust Co. of Enid offers controlled disbursement in Enid.

Its terminal-access balance reporting system was developed in-house, and offers terminal-initiated wire transfers and terminal-initiated stop payments.

Its account reconciliation system was developed in-house. Sixty-five percent of its clients pay in fees; 35% pay in balances.

Charlene Smyly, vice president-customer service, is the chief corporate cash management executive.

### First City National Bank — Houston

*P.O. Box 2557, Houston, Texas 77252; (713) 658-5077*

| | |
|---|---|
| Lockbox: | |
| Retail | $136,000,000 |
| Wholesale | $1,072,000,000 |
| Network: | stand-alone |
| Controlled disbursement | $2,000,000,000 |
| International: | |
| Wire transfers | $24,000,000 |
| NCCMA account analysis | 1988 |
| FDIC premium itemized | |
| Earnings credit rate | 5.72% |
| Compensating balance | $23,840 |
| Fee surcharge | |
| Cash management professionals | 25 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First City National Bank — Houston has one city in its lockbox network. It offers Saturday and Sunday lockbox processing. Controlled disbursement is offered in Lake Jackson, Addison and Van Horn, Texas.

Its terminal-access balance reporting system was developed by Bank-Link. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It has an overseas lockbox in Singapore.

It does lockbox and disbursement consulting. Its account reconciliation

system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

William C. McCain Jr., senior vice president, is the chief corporate cash management executive.

### First Interstate Bank of Oklahoma

*2701 S. Harvey, P.O. Box 25676, Oklahoma City, Okla. 73125; (405) 272-4547*

| | |
|---|---|
| Lockbox: | |
| Retail | $26,812,945 |
| Wholesale | $62,693,119 |
| Network: | stand-alone |
| Controlled disbursement | $208,371,058 |
| International: | |
| Wire transfers | |
| Cash investments | $95,000,000 |
| Investment clients | 584 |
| NCCMA account analysis | 1988 |
| FDIC premium itemized | |
| Earnings credit rate | 4.87% |
| Compensating balance | $24,612 |
| Cash management professionals | 9 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First Interstate Bank of Oklahoma offers Saturday lockbox processing. It offers controlled disbursement in Verden, Ada and Antlers, Okla.

Its terminal-access balance reporting system was developed by NDC.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty-five percent of its clients pay in fees; 75% pay in balances.

Robert A. Horn, vice president, is the chief corporate cash management executive.

### First National Bank of Commerce

*210 Barrone, New Orleans, La. 70160; (800) 462-9511*

| | |
|---|---|
| Lockbox: | |
| Retail | $8,947,701 |
| Wholesale | $128,422,711 |
| Network: | correspondent |
| Controlled disbursement | $14,850,000 |
| International: | |
| Multilateral netting | |
| Wire transfers | |
| NCCMA account analysis | 1987 |
| Earnings credit rate | 5.73% |
| Compensating balance | $20,370 |
| Cash management professionals | 5 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First National Bank of Commerce has four cities in its lockbox network. It offers controlled disbursement in Baton Rouge.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, commercial paper and letters of credit.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Three percent of its clients pay in fees, 97% pay in balances.

Shelley MacNary is vice president-cash management sales.

### First RepublicBank Dallas

*P.O. Box 83000, 1401 Elm St., Dallas, Texas 75283-4271; (214) 977-5550*

| | |
|---|---|
| Lockbox: | |
| Retail | $1,114,324 |
| Wholesale | $7,995,088,406 |
| Network: | correspondent |
| Controlled disbursement | $1,570,900 |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| FDIC premium itemized | |
| Earnings credit rate | 5.59% |
| Compensating balance | $21,063 |
| Fee surcharge | |
| Cash management professionals | 48 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First Republic Bank Dallas has eight banks in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Brownwood and Mineral Wells, Texas.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Connie Beck, executive vice president, is chief corporate cash management executive.

### Hibernia National Bank

*P.O. Box 61540, New Orleans, La. 70161; (504) 586-5437*

| | |
|---|---|
| Lockbox: | |
| Wholesale | $160,000,000 |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.73% |
| Compensating balance | $24,383 |
| Cash management professionals | 4 |

Hibernia National Bank offers controlled disbursement in Wilmington, Del.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. One percent of its clients pay in fees; 99% pay in balances.

Ted Katsorchis, vice president, is chief executive of the cash management department. The contact is Fred A. Dean, assistant vice president.

### Liberty National Bank and Trust Co. of Oklahoma City

*P.O. Box 25848, Oklahoma City, Okla. 73125; (405) 231-6852*

| | |
|---|---|
| Lockbox: | |
| Wholesale | $88,000,000 |
| Controlled disbursement | $4,000,000 |
| International: | |
| Wire transfers | $766,945 |
| Cash investments | $72,000,000 |
| Investment clients | 65 |
| NCCMA account analysis | 1989 |
| FDIC premium itemized | |
| Earnings credit rate | 5.5575% |
| Compensating balance | $24,075 |
| Cash management professionals | 4 |
| ACH capability: | |
| CTP receive | |

Liberty National Bank and Trust Co. of Oklahoma City offers controlled disbursement in Woodward, Stillwater and Sapulpa, Okla.

Its terminal-access balance reporting system was developed by National Data Corp. Its account reconciliation system was developed by ARP/Disc.

Ten percent of its clients pay in fees; 90% pay in balances.

John P. Jewell, vice president, is chief executive of commercial cash management.

### MBank Houston

*P.O. Box 2629, Houston, Texas 77252; (713) 751-3888*

| | |
|---|---|
| Lockbox: | |
| Retail | $46,150,346 |
| Wholesale | $713,197,112 |
| Network: | correspondent |
| Controlled disbursement | $1,327,238,000 |
| International: | |
| Multilateral netting | |
| Wire transfers | $84,429,590 |
| Cash investments | $105,000,000 |
| Investment clients | 6 |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.76% |
| Compensating balance | $23,229 |
| Cash management professionals | 11 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

MBank Houston has 19 cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Brownsville, Brenham, Orange, Port Arthur, Beaumont and The Woodlands, Texas.

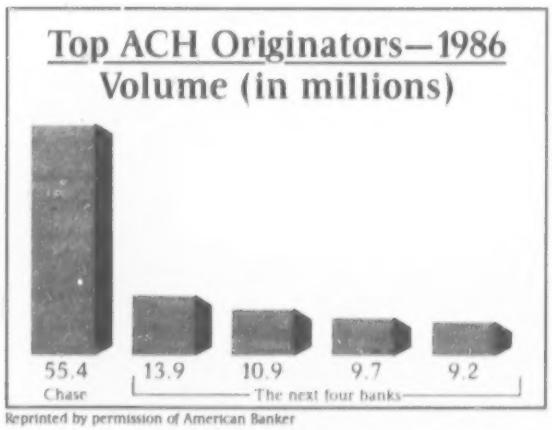
Its terminal-access balance reporting system was developed by Chase Access Services. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Ten percent of its clients pay in fees, 90% pay in balances.

Dean V. Loehr is vice president. She is chief executive of corporate services.

PIPER report: Sept. 7


# It takes more to remain in electroni

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## "Chase Remains Clearing House Volume Leader"

**–American Banker, March 17, 1987**

American Banker's 1986 figures have just been released and Chase remains the leader in volume of electronic payments. In fact, Chase initiates more payments than the next four banks combined. But we never take our leadership for granted.

How we remain the leader all stems from a single idea: quality. It's in everything we do.

It starts with a commitment to service.

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### NBC Bank-San Antonio

*430 Soledad, San Antonio, Texas 78205; (512) 229-2382*

| | |
|---|---|
| Lockbox: | |
| Retail | $12,200,000 |
| Wholesale | $54,700,000 |
| Controlled disbursement | |
| NCCMA account analysis | 1989 |
| FDIC premium itemized | |
| Earnings credit rate | 5.76% |
| Compensating balance | $21,123 |
| Cash management professionals | 2 |

NBC Bank-San Antonio offers controlled disbursement in Uvalde, Texas.

Its terminal-access balance reporting system was developed by ADP. Its account reconciliation system was developed in-house. Fifteen percent of its clients pay in fees, 85% pay in balances.

Edwin E. Clarke Jr., vice president, is chief executive of corporate cash management.

### Texas American Bank

*P.O. Box 2050, Fort Worth, Texas 76113; (817) 338-8656*

| | |
|---|---|
| Lockbox: | |
| Retail | $185,000,000 |
| Wholesale | $230,000,000 |
| Controlled disbursement | $440,000,000 |
| International: | |
| Wire transfers | $43,665,696 |
| Earnings credit rate | 5.52% |
| Compensating balance | $24,239 |
| Cash management professionals | 7 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Texas American Bank offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Levelland, Midland, Arlington, McKinney and Denison, Texas.

Its terminal-access balance reporting system was developed by National Data Corp. Terminal-initiated wire transfers will be offered later this year.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. About 20% of its clients pay in fees, 80% pay in balances; many customers pay in both.

Grant P. Ferguson, senior vice president, is chief executive of corporate customer services.

### Texas Commerce Bank

*P.O. Box 2558, Houston, Texas 77252-8087; (713) 236-5714*

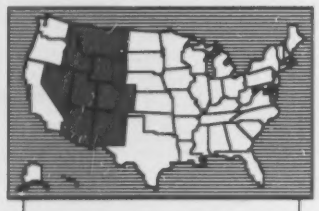
| | |
|---|---|
| Lockbox: | |
| Retail | $252,000,000 |
| Wholesale | $3,000,000,000 |
| Network: | correspondent |
| Controlled disbursement | $3,600,000,000 |
| International: | |
| Wire transfers | $4,700,000,000 |
| FDIC premium itemized | |
| Earnings credit rate | 5.52% |
| Compensating balance | $21,330 |
| Fee surcharge | |
| Cash management professionals | 20 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Texas Commerce Bank has four cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in 12 locations.

Its terminal-access balance reporting system was developed by BankLink. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

Jerry N. Boynton, senior vice president, is chief executive of corporate cash management.




### Colorado National Bank of Denver

*950 17th St., Denver, Colo. 80202; (303) 893-1862*

| | |
|---|---|
| Lockbox: | |
| Wholesale | $234,047,143 |
| Controlled disbursement | $303,191,631 |
| International: | |
| Wire transfers | |
| Cash investments | $70,000,000 |
| NCCMA account analysis | 1988 |
| Earnings credit rate | 5.423% |
| Compensating balance | $22,765 |
| Cash management professionals | 7 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX receive | |

Colorado National Bank of Denver offers Sunday lockbox processing. It offers controlled disbursement in Evergreen and Grand Junction, Colo.

Its terminal-access balance reporting system was developed by National Data Corp. Its terminal-initiated services are: wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. All of its clients pay in balances.

James M. Idema Jr., vice president-banking department, is chief executive of the corporate cash management division.

### First Interstate Bank of Arizona

*P.O. Box 53456, Phoenix, Ariz. 85072-3456; (602) 271-1297*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Network: | stand-alone |
| International: | |
| Multilateral netting | |
| Wire transfers | |
| Earnings credit rate | 5.56% |
| Compensating balance | $24,066 |
| Cash management professionals | 16 |
| ACH capability: | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First Interstate Bank of Arizona has one city in its lockbox network.

Its terminal-access balance reporting system was developed by BankLink, but the bank is converting to an in-house system. Terminal-initiated services are: wire transfers, letters of credit and stop payment.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Fifty percent of its clients pay in fees; 50% pay in balances.

Wilburn J. Brown, vice president, is chief executive of cash management/business services.

### First Interstate Bank of Denver

*633 17th St., Denver, Colo. 80270; (303) 293-5253*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.59% |
| Compensating balance | 23,935 |
| Cash management professionals | 18 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First Interstate Bank of Denver has 10 cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in 14 cities.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers and letters of credit.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Jack W. Calabrese, senior vice president, is chief executive of cash management services.

### First National Bank in Albuquerque

*P.O. Box 1305, Albuquerque, N.M. 87103-1305; (505) 765-4190*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Controlled disbursement | $11,000,000 |
| International: | |
| Wire transfers | $100,000 |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CHASE

NCCMA account analysis ..... 1987
FDIC premium itemized
Earnings credit rate ..... 5.53%
Compensating balance ..... $21,291
Cash management professionals ..... 5
ACH capability:
CTP originate
CTP receive

First National Bank in Albuquerque offers controlled disbursement in Fairfield, Cascade and Browning, Mont.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, stop payments and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed in-house. Sixty-five percent of its clients pay in fees; 35% pay in balances.

Fred Spuhler, senior vice president, is chief executive of cash management.

### First Security Bank of Utah

*15 E. First S., Salt Lake City, Utah 84111; (801) 350-5527*

Lockbox:
Retail ..... $12,000,000
Wholesale
Controlled disbursement
International:
Wire transfers ..... $21,000,000
Cash investments ..... $138,000,000
Investment clients ..... 398
FDIC premium itemized
Earnings credit rate ..... 5.231%
Compensating balance ..... $23,259
Cash management professionals ..... 3
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

First Security Bank of Utah offers controlled disbursement in Boise, Idaho.

Its terminal-access balance reporting system was developed by NDC. Its terminal-initiated services are wire transfers and stop payments.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Seventy percent of its clients pay in fees, 30% pay in balances.

Reed J. Beecher, vice president, is the chief corporate cash management executive.

### United Bank of Denver

*1700 Broadway, Denver, Colo. 80274; (303) 863-6183*

Lockbox:
Retail ..... $200,000,000
Wholesale ..... $500,000,000
Network: ..... correspondent
Controlled disbursement ... $40,000,000,000
Earnings credit rate ..... 5.73%
Compensating balance ..... $23,808
Cash management professionals ..... 18
ACH capability:
CTX originate
CTX receive

United Bank of Denver offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Grand Junction, Colo.

Its terminal-access balance reporting system was developed by NDC. Terminal-initiated services are letters of credit, stop payments and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc. Seventy percent of its clients pay in fees, 30% pay in balances.

Peter E. Hosokawa, senior vice president, is chief executive of corporate business development/cash management.

### Valley National Bank of Arizona

*P.O. Box 13704, Phoenix, Ariz. 85002; (602) 589-4707*

Lockbox:
Retail
Wholesale
Network: ..... mail intercept
Controlled disbursement
Earnings credit rate ..... 5.72%
Compensating balance ..... $23,391
Cash management professionals ..... 4
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Valley National Bank of Arizona has a lockbox site in Los Angeles. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Wilmington, Del., and Salt Lake City.

Its terminal-access balance reporting system was developed by BankLink/MicroLink. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Twenty percent of its clients pay in fees, 80% pay in balances.

James L. Rauschkolb is vice president and manager-corporate cash management.

### Bank of America

*Dept. 5625, P.O. Box 37000, San Francisco, Calif. 94137; (415) 624-2879*

Lockbox:
Wholesale
Network: ..... stand-alone
Controlled disbursement
International:
Multilateral netting
Wire transfers
FDIC premium itemized
Earnings credit rate ..... 5.59%
Compensating balance ..... $23,935
ACH capability:
CTP originate
CTP receive
CTX originate
CTX receive

Bank of America has three cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Charlotte, N.C.

Its terminal-access balance reporting system was developed in-house. Its terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer. A large bank network of overseas lockboxes is available.

Its account reconciliation system was developed in-house.

Colin Klipin, senior vice president-sales and marketing, is chief executive of the corporate payments division.

### Bank of Hawaii

*P.O. Box 2900, Honolulu, Hawaii 96846; (808) 537-8111*

Lockbox:
Retail ..... $15,000,000
Wholesale ..... $35,000,000
Network: ..... correspondent
International:
Wire transfers
NCCMA account analysis ..... 1989
Earnings credit rate ..... 5.563%
Compensating balance ..... $24,500
Cash management professionals ..... 5
ACH capability:
CTP receive
CTX receive

Bank of Hawaii is part of the US$Net lockbox network. It offers Sunday lockbox processing.

Its terminal-access balance reporting system was developed by BankLink, and offers terminal-initiated wire transfers. Its account reconciliation system was developed by Disc.

Roy K. Amemiya Jr., vice president and manager, is the chief corporate cash management executive.

### First Interstate Bank Ltd.

*707 Wilshire Blvd., Los Angeles, Calif.*

Lockbox:
Retail
Wholesale
Network: ..... stand-alone
Controlled disbursement
International
Wire transfers
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.75%
Compensating balance ..... $21,000
Cash management professionals ..... 100
ACH capability:
CTP receive
CTX originate
CTX receive

First Interstate Bank Ltd., which targets corporations outside of California with sales of more than $300 million, has 13 cities in its lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in 14 cities.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Forty percent of clients pay in fees; 60% pay in balances.

Russell K. Snow, senior vice president, is the chief executive of corporate financial services.

### First Interstate Bank of California

*1200 W. Seventh St., Los Angeles, Calif. 90017; (213) 239-3178*

Lockbox:
Retail ..... $1,700,000,000
Wholesale ..... $500,000,000
Controlled disbursement
International:
Wire transfers ..... $14,800,000
NCCMA account analysis ..... 1989
FDIC premium itemized
Earnings credit rate ..... 5.75%
Compensating balance ..... $20,008
Cash management professionals ..... 20
ACH capability:
CTP originate
CTP receive
CTX receive

First Interstate Bank of California,

## Banks' earnings credit rates and compensating balances as of March 31

| Bank | Rate (%) | Balance ($) |
|---|---|---|
| ABN LaSalle Nat'l Bank | 5.75 | 23,242 |
| AmeriTrust | 5.55 | 21,922 |
| AmSouth Bank | 5.53 | 24,195 |
| Bancohio Nat'l Bank | 5.53 | 24,195 |
| Bank IV Wichita | 5.56 | 21,582 |
| Bank of America | 5.59 | 23,935 |
| Bank of Boston | 4.82 | 24,900 |
| Bank of Delaware | 5.59 | 23,520 |
| Bank of Hawaii | 5.56 | 24,500 |
| Bank of New York | 5.58 | 24,540 |
| Bank of Oklahoma | 5.59 | 24,394 |
| Bank One, Dayton | 5.39 | 22,573 |
| Bankers Trust | 4.87 | 24,659 |
| Barnett Banks | 5.50 | 24,793 |
| Branch Banking & Trust | 5.59 | 23,935 |
| Centerre Trust | 5.60 | 23,892 |
| Central Nat'l Bank & Trust/Oklahoma | 5.90 | 20,405 |
| Central Trust/Cincinnati | 4.49 | 24,869 |
| Chemical Bank | 5.73 | 23,798 |
| Citibank | 5.57 | |
| Citizens & Southern Nat'l Bank | 5.49 | 24,400 |
| Colorado Nat'l Bank/Denver | 5.42 | 22,765 |
| Comerica | 5.56 | 24,688 |
| Commerce Bank/Kansas City | 5.55 | 21,622 |
| Connecticut Bank & Trust | 5.58 | 21,102 |
| Connecticut Nat'l Bank | 5.59 | 24,000 |
| Continental Bank | 4.90 | 27,829 |
| Continental Illinois Nat'l Bank | 5.85 | 23,300 |
| Deposit Guaranty Nat'l Bank | 5.52 | 21,739 |
| Equitable Bank | 5.59 | 23,935 |
| Fidelity Bank | 5.59 | 24,394 |
| Fifth Third Bank | 5.59 | 21,467 |
| First American Nat'l Bank | 5.71 | 29,056 |
| First Bank System | 5.50 | 24,327 |
| First City Nat'l Bank/Houston | 5.72 | 23,840 |
| First Interstate Bank | 5.75 | 21,000 |
| First Interstate Bank/Arizona | 5.56 | 24,066 |
| First Interstate Bank/California | 5.75 | 20,008 |
| First Interstate Bank/Denver | 5.59 | |
| First Interstate Bank/Oklahoma | 4.87 | 24,612 |
| First Interstate Bank/Oregon | 5.59 | 23,935 |
| First Interstate Bank/Washington | 5.39 | 24,822 |
| First Jersey Nat'l Bank | 5.52 | 21,358 |
| First Nat'l Bank/Albuquerque | 5.53 | 21,291 |
| First Nat'l Bank/Chicago | 4.93 | |
| First Nat'l Bank of Commerce | 5.73 | 20,370 |
| First Nat'l Bank/Louisville | 5.56 | 24,535 |
| First Nat'l Bank/Maryland | 5.56 | 21,177 |
| First Nat'l Bank/Omaha | 5.51 | 21,369 |
| First Pennsylvania Bank | 5.55 | 21,622 |
| First RepublicBank | 5.59 | 21,063 |
| First Security Bank/Utah | 5.23 | 23,259 |
| First Tennessee Bank | 5.53 | 24,195 |
| First Union Nat'l Bank/Florida | 5.76 | 23,674 |
| First Union Nat'l Bank/Georgia | 5.95 | 19,788 |
| First Union Nat'l Bank/North Carolina | 5.95 | 19,788 |
| First Union Nat'l Bank/South Carolina | 5.95 | 19,788 |

| Bank | Rate (%) | Balance ($) |
|---|---|---|
| First Wachovia | 5.59 | 23,935 |
| First Wisconsin Nat'l Bank | 5.71 | 23,432 |
| Fleet Nat'l Bank | 5.59 | 24,396 |
| Florida Nat'l Bank | 5.59 | 20,400 |
| Harris Trust and Savings Bank | 5.70 | 23,474 |
| Hibernia Nat'l Bank | 5.73 | 24,383 |
| Liberty Nat'l Bank & Trust | 5.56 | 24,075 |
| Manufacturers Hanover Trust | 5.57 | |
| Manufacturers Nat'l Bank | 5.60 | 21,429 |
| Marine Bank | 5.55 | 24,570 |
| Marquette Bank | 5.61 | 23,483 |
| MBank Houston | 5.76 | 23,229 |
| Mellon Bank | 5.59 | 23,229 |
| Mercantile Bank | 5.56 | 24,064 |
| Merchants Nat'l Bank | 5.58 | 24,438 |
| Meridian Bank | 5.43 | 25,126 |
| Michigan Nat'l Bank | 5.59 | 24,426 |
| M&I Marshall & Ilsley Bank | 5.75 | 23,269 |
| Nat'l Bank of Detroit | 5.75 | 23,269 |
| Nat'l City Bank | 5.40 | 25,200 |
| Nat'l Westminster Bank | 5.53 | 21,276 |
| NBC Bank/San Antonio | 5.76 | 21,123 |
| NCNB Nat'l Bank/North Carolina | 5.82 | 22,989 |
| Norwest Bank Minneapolis | 4.92 | 23,183 |
| Norwest Bank Nebraska | 4.92 | 23,183 |
| Norwest Bank South Dakota | 5.60 | 24,680 |
| Old Kent Bank & Trust | 4.50 | 30,303 |
| Philadelphia Nat'l Bank | 5.35 | 22,000 |
| Pittsburgh Nat'l Bank | 5.59 | 23,935 |
| Provident Nat'l Bank | 5.55 | 21,592 |
| Rainier Bank | 5.56 | 21,571 |
| Security Pacific Nat'l Bank | 5.59 | 27,734 |
| Shawmut Bank | 5.50 | 21,818 |
| Signet Bank | 5.59 | 24,733 |
| Signet Bank/Maryland | 5.25 | 22,119 |
| Signet Bank/Virginia | 5.59 | 24,733 |
| Society Nat'l Bank | 5.60 | 21,429 |
| Southeast Bank | 5.50 | 24,327 |
| Sovran Bank/Maryland | 5.75 | 23,715 |
| Sovran Bank/Virginia | 5.75 | 23,715 |
| State Street Bank & Trust | 5.40 | 25,253 |
| Sun Bank | 5.59 | 24,733 |
| Texas American Banks | 5.52 | 24,239 |
| Texas Commerce Bank | 5.52 | 21,330 |
| Third Nat'l Bank/Nashville | 5.69 | 21,090 |
| Toledo Trust | 5.59 | 24,390 |
| Trust Company Bank | 5.59 | 24,400 |
| United Bank of Denver | 5.73 | 23,808 |
| United Jersey Bank | 5.50 | 24,600 |
| United Missouri Bank/Kansas City | 5.11 | 26,667 |
| United Virginia Bank | 5.65 | 23,681 |
| U.S. Nat'l Bank/Oregon | 5.57 | 24,482 |
| Valley Nat'l Bank | 5.72 | 23,391 |
| Wells Fargo Bank | 5.59 | 21,467 |
| Wilmington Trust | 5.59 | 21,467 |
| Average | 5.53 | 23,379 |

which targets in-state companies with sales of less than $300 million, has 12 cities in its lockbox network. It offers Saturday lockbox processing. It offers controlled disbursement in 14 cities, the majority with Commerce Union Bank in Tennessee.

Its terminal-access balance reporting system was developed by Cashlink. Its terminal-initiated services are: wire transfers and letters of credit. It has an overseas lockbox.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house.

Pamela P. Reis, senior vice president and manager, is the chief corporate cash management executive.

### First Interstate Bank of Oregon

*1300 S.W. Fifth Ave., Portland, Ore. 97201; (503) 225-3529*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Network | stand-alone |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| FDIC premium itemized | |
| Earnings credit rate | 5.59% |
| Compensating balance | $23,935 |
| Cash management professionals | 9 |
| ACH capability: | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

First Interstate Bank of Oregon has 13 cities in its lockbox network. It offers Saturday lockbox processing. It offers controlled disbursement in 14 cities.

Its terminal-access balance reporting system was developed by Cashlink. Terminal-initiated services are wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Charles A. Smart, vice president and manager, is the chief corporate cash management executive.

### First Interstate Bank of Washington

*P.O. Box 160, Seattle, Wash. 98111; (206) 343-2238*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Network | stand-alone |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.39% |
| Compensating balance | $24,822 |
| Cash management professionals | 4 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |

First Interstate Bank of Washington has 12 cities in its lockbox network. It offers controlled disbursement in 14 cities.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

Kathy Mather is vice president and manager-cash management sales.

### Rainier National Bank

*Cash Management Consulting Group: NO9-5, 600 University, P.O. Box 3966, Seattle, Wash. 98124; (206) 621-4326*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Network | stand-alone |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1987 |
| Earnings credit rate | 5.563% |
| Compensating balance | $21,571 |
| Cash management professionals | 11 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Rainier National Bank has two cities in its stand-alone lockbox network. It offers Saturday lockbox processing. It offers controlled disbursement in Anchorage, Alaska, and Asheville, N.C.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are: wire transfers, letters of credit and stop payments. Overseas lockbox locations are Hong Kong, Manila, Seoul, Singapore, Taipei and Tokyo.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Fifty percent of its clients pay in fees, 50% pay in balances.

James Pellegrino is senior vice president and manager-cash management consulting group.

### Security Pacific National Bank

*333 S. Hope St., Los Angeles, Calif. 90071; (213) 345-5267*

| | |
|---|---|
| Lockbox: | |
| Retail | |
| Wholesale | |
| Network | correspondent |
| Controlled disbursement | |
| International: | |
| Wire transfers | |
| NCCMA account analysis | 1989 |
| FDIC premium itemized | |
| Earnings credit rate | 5.59% |
| Compensating balance | $27,734 |
| Cash management professionals | 100 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |
| CTX originate | |
| CTX receive | |

Security Pacific National Bank has nine cities in its ImageNet lockbox network. It offers Saturday and Sunday lockbox processing. It offers controlled disbursement in Asheville, N.C.; Wilmington, Del.; Laguna Hills, Calif.; and Mount Sterling, Ohio. It belongs to the Payment Network: Bank One, Bankers Trust, Security Pacific State Bank and NCNB.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, letters of credit, stop payments and automatic confirmation of stop payment to customer. International lockbox sites are London and Toronto.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Ten percent of its clients pay in fees, 90% pay in balances.

Richard C. Ercole, senior vice president, is chief executive of the cash management department.

### U.S. National Bank-Oregon

*P.O. Box 4412, Portland, Ore. 97208; (503) 275-6439*

| | |
|---|---|
| Lockbox: | |
| Retail | $150,000,000 |
| Wholesale | $200,000,000 |
| Network | correspondent |
| Controlled disbursement | $800,000,000 |
| International: | |
| Wire transfers | |
| Cash investments | $140,000,000 |
| Investment clients | 220 |
| NCCMA account analysis | 1989 |
| Earnings credit rate | 5.57% |
| Compensating balance | $24,482 |
| Cash management professionals | 8 |
| ACH capability: | |
| CTP originate | |
| CTP receive | |

U.S. National Bank-Oregon is a member of the FNB Chicago Network. It offers controlled disbursement at First National Bank-Oregon and Wilmington Trust Bank.

Its terminal-access balance reporting system was developed by ADP. Terminal-initiated services are wire transfers and stop payments, including automatic confirmation of stop payment to customer.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc. Forty percent of its clients pay in fees, 60% pay in balances.

Richard M. Carey, vice president, is chief executive of cash management.

### Wells Fargo Bank

*464 California St., MAC 0101-095, San Francisco, Calif. 94104; (415) 396-7777*

| | |
|---|---|
| Lockbox: | |
| Wholesale | |
| Controlled disbursement | |
| NCCMA account analysis | 1988 |
| Earnings credit rate | 5.59% |
| Compensating balance | $21,467 |
| Fee surcharge | |
| Cash management professionals | 65 |

Wells Fargo Bank is a member of US$NET lockbox network.


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Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers.

The bank will begin itemizing the charge for FDIC premiums next year. Fifteen percent of its clients pay in fees, 85% pay in balances.

Alan Holroyde, executive vice president, is chief executive of the cash management division.

Canadian

### Bank of Montreal

*1 First Canadian Place, Toronto, Ontario M5X 1A1; (416) 867-4996*

Lockbox:
- Retail
- Wholesale
- Network: ..... stand-alone, mail intercept and correspondent

International:
- Wire transfers

Bank of Montreal has all major Canadian cities and Harris Bank & Trust Co., Chicago, in its lockbox network.

Its terminal-access balance reporting system was developed by Geisco/BankLink. Its terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payment and automatic confirmation of stop payment to customer.

Its account reconciliation system was developed by Disc.

Elizabeth B. Wright is chief executive of cash management services.

### The Bank of Nova Scotia

*44 King St. W., Toronto, Ontario M5H 1H1; (416) 866-3646*

Lockbox:
- Retail
- Wholesale
- Network: ..... stand-alone, correspondent

International:
- Multilateral netting
- Wire transfers

Cash management professionals ..... 100

The Bank of Nova Scotia has a 1,000-branch lockbox network in all major Canadian cities.

Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are wire transfers and letters of credit.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house.

R.G. Darke, general manager, is the chief corporate cash management executive.

### Canadian Imperial Bank of Commerce

*Commerce Court Postal Station, Toronto, Ontario M5L 1A2; (416) 784-6376*

Lockbox:
- Wholesale
- Network: .. stand-alone and correspondent

International:
- Wire transfers

Canadian Imperial Bank of Commerce has eight Canadian and five U.S. cities in its lockbox network.

Its terminal-access balance reporting system was developed in-house, and offers terminal-initiated wire transfers.

It does lockbox and disbursement consulting. Its account reconciliation system was developed by Disc.

John Bumister, vice president, is chief executive of the global cash management division.

### Toronto-Dominion Bank

*Toronto Dominion Centre, P.O. Box 1, Toronto, Ontario M5K 1A2; (416) 982-2362*

Lockbox:
- Retail
- Wholesale
- Network: ..... stand-alone

International:
- Wire transfers

Cash management professionals ..... 35

Toronto-Dominion Bank has lockbox sites in major Canadian cities. Its terminal-access balance reporting system was developed in-house. Terminal-initiated services are: wire transfers, commercial paper, letters of credit, stop payments and automatic confirmation of stop payment to customer.

There are lockbox sites in the United States through Philadelphia National Bank.

It does lockbox and disbursement consulting. Its account reconciliation system was developed in-house. Ninety-nine percent of its clients pay in fees, 1% pay in balances.

R.A. "Tony" Cook is general manager of the cash management services group.

## Associations

### National

#### Electronic Funds Transfer Association

**Year established:** 1977
**Corporate membership:** 110
**Meetings:** Eleven committees and councils meet quarterly
**Membership fee:** $480, $2,000 and $6,000
**Contact:** James Callan, senior director, 1726 M St. N.W., Suite 1000, Washington, D.C. 20036; (202) 659-2100.

#### National Automated Clearing House Association

**Year established:** 1974
**Corporate affiliate memberships:** 55, including Exxon, Sears Roebuck, Procter & Gamble, Shell Oil, Piedmont Aviation, General Electric and AT&T Communications. NACHA offers non-voting affiliate memberships to corporations. Corporate members have access to information about automated clearinghouse matters and may make suggestions to NACHA. (Voting memberships are held only by the 42 regional ACH associations, which are controlled by banks.)
**Meetings:** Three annually for corporate affiliate members.
**Membership fee:** $750 annually for corporate affiliate memberships.
**Contact:** Sandra Kennedy, senior director-membership services, NACHA, 1901 L St. N.W., Suite 640, Washington D.C. 20036; (202) 659-4343.

#### National Corporate Cash Management Association

**Year established:** 1980
**Membership:** 3,273
**Meetings:** Annual conference
**Membership fee:** $75
**Contact:** Raymond P. Ruzek, executive director, P.O. Box 7001, Newtown, Conn. 06470; (203) 426-3007.

### Regional

#### Carolinas Cash Management Association

**Year established:** 1979
**Corporate membership:** 67
**Corporate members:** Duke Power Co., Lowe's Cos. Inc., Hardee's Food Systems
**Meetings:** Seven times a year
**Membership fee:** $200
**Contact:** W. Bruce Shannon, president, P.O. Box 32203, Charlotte, N.C. 28232; (704) 373-4003

#### Cash Management Association of New England

**Year established:** 1979
**Corporate membership:** 200
**Meetings:** Bimonthly; annual conference
**Membership fee:** $75
**Contact:** Roger F. Allard, president, P.O. Box 807, Lynnfield, Mass. 01940; (617) 791-2272, ext. 427.

### California

#### Peninsula Cash Management Association

**Year established:** 1979
**Corporate membership:** 50
**Corporate members:** Measurex Corp., Amdahl Corp., Varian Associates Inc.
**Meetings:** Monthly
**Membership fee:** $150
**Contact:** Chris Basanese, cash manager, Measurex Corp., 1 Results Way, Cupertino, Calif. 95014-5991; (408) 255-1500.

#### Cash Management Association of Southern California

**Year established:** 1974
**Corporate membership:** 85
**Meetings:** Nine times a year
**Membership fee:** $100
**Contact:** Faith Grant, president, P.O. Box 71129, Los Angeles, Calif. 90071; (213) 642-0100.

### Colorado

#### Colorado Cash Management Association

**Year established:** 1982
**Corporate membership:** 137
**Meetings:** Monthly, September through May
**Membership fee:** $40, individuals; $80, corporate
**Contact:** Homer Sessions, president, P.O. Box 840, Room 850, Denver, Colo. 80201-0840; (303) 571-7753.

### Connecticut

#### Central Connecticut Cash Management Association

**Year established:** 1981
**Corporate membership:** 42
**Meetings:** Monthly
**Membership fee:** $120
**Contact:** Kristina P. Stetson, president, c/o United Technologies Corp., United Technologies Building, Hartford, Conn. 06101; (203) 728-7558.

### Georgia

#### Atlanta Treasury Management Association

**Year established:** 1976
**Corporate membership:** 65
**Corporate members:** Coca-Cola Co., Contel Corp., Georgia Pacific Corp.
**Meetings:** Monthly except July, August and December
**Membership fee:** $185
**Contact:** Martin Bush, membership chairman, 3445 Peachtree Road N.E., Atlanta, Ga. 30326; (404) 239-2963.

### Illinois

#### Treasury Management Association of Chicago

**Year established:** 1974
**Corporate membership:** 75
**Corporate members:** Helene Curtis, Abbott Laboratories, Motorola, C.C. Industries.
**Meetings:** Last Thursday of each month, September through June.
**Membership fee:** $150
**Contact:** Susan Burkman, president, 325 N. Wells St., Chicago, Ill. 60610; (312) 236-6300.

The PIPER report on third quarter international, special equity and real estate runs Nov. 30.

### Louisiana

#### New Orleans Cash Management Association

**Year established:** 1981
**Corporate membership:** 46
**Corporate members:** Blue Cross of Louisiana, Louisiana Land & Exploration, Middle South Utilities
**Meetings:** Second Tuesday of each month except December
**Membership fee:** $100 primary/$75 secondary per corporation
**Contact:** Richard Ensminger, president, P.O. Box 71905, New Orleans, La. 70172-1905; (504) 581-2424.

### Minnesota

#### Twin Cities Cash Management Association

**Year established:** 1979
**Corporate membership:** 77
**Corporate members:** Dayton Hudson Corp., Malt-O-Meal Co., Honeywell Inc.
**Meetings:** Monthly, September through May
**Membership fee:** $50 annually and $15 per meeting
**Contact:** Ann Hanna, treasurer, Box SDS 12-0030, Minneapolis, Minn. 55486; (612) 370-6939.

### New Jersey

#### Northern New Jersey Association of Cash Management

**Year established:** 1980
**Corporate membership:** 70
**Corporate members:** AT&T, Toys "R" Us Inc.
**Meetings:** Second Wednesday monthly except July and August
**Membership fee:** $175
**Contact:** Don Aquila, 920 Route 202, Raritan, N.J. 08869; (201) 685-1600.

### New York

#### Cash Management Association of the Capital Region

**Year established:** 1986
**Corporate membership:** 38
**Meetings:** Second Thursday of each month except July, August and December
**Membership fee:** $30
**Contact:** Joseph Hourigan at (518) 471-5330 or David S. Fishman, president, (518) 783-1864; Cash Management Association of the Capital Region, P.O. Box 3006, Latham, N.Y. 12110.

### Ohio

#### Central Ohio Cash Management Association

**Year established:** 1981
**Corporate membership:** 63
**Meetings:** Monthly, except June through August
**Membership fee:** $25
**Contact:** Thomas C. Luffy, 200 Civic Center Drive, Columbus, Ohio 43215; (614) 460-4828.

### Oklahoma

#### Oklahoma Cash Management Association

**Year established:** 1981
**Corporate membership:** 24
**Meetings:** Third Thursday, monthly
**Membership fee:** $50
**Contact:** Ross Hansen, P.O. 99269, Oklahoma City, Okla. 73199; (405) 231-6585.

#### Tulsa Cash Management Association

**Year established:** 1982
**Corporate membership:** 76
**Corporate members:** Williams Cos., Parker Drilling Co.
**Meetings:** Monthly, September through May
**Membership fee:** $75
**Contact:** Robert A. McDaniel, president, P.O. Box 21338, Tulsa, Okla. 74121; (918) 588-6548.

### Oregon

#### Portland Cash Manager's Association

**Year established:** 1976
**Meetings:** monthly
**Membership fee:** $80
**Contact:** Jeanne Rohlf, vice president, First Interstate Bank of Oregon, P.O. Box 3131, Portland, Ore. 97200; (503) 225-7059.

### Texas

#### Cash Alliance

**Year established:** 1986
**Corporate membership:** 51
**Meetings:** Third Thursday of each month, September through May
**Membership fee:** $120
**Contact:** Jim Vetter, president, 386 W. Northwest Highway, Suite 210, Dallas, Texas 75220; (214) 351-3291

#### San Antonio Cash Management Association

**Year established:** 1983
**Corporate membership:** 60
**Meetings:** Eight times a year
**Membership fee:** $100
**Contact:** Diane Burgess, president, P.O. Box 1272, San Antonio, Texas 78295; (512) 699-4433.

### Virginia

#### Commonwealth Cash Management Association

**Year established:** 1981
**Corporate membership:** 41
**Meetings:** Monthly
**Membership fee:** $25
**Contact:** J.S. Deitrick, president, P.O. Box 27003, Richmond, Va. 23261; (804) 281-2679.

## Service Providers

### Arthur Andersen & Co.

*69 W. Washington St., Chicago, Ill. 60602; (312) 580-0069*

Arthur Andersen & Co. offers treasury information systems planning, design and implementation, and expertise in domestic and international cash management systems.

It has 50 clients.

**Contact:** Kerry Stucky, treasury consulting coordinator.

### Bank Valuation

*37 South Drive, Plandome, N.Y. 11030; (516) 627-7470*

Bank Valuation analyzes the 150 largest banks from a depositor's perspective: liquidity is 50%, credit risk 30%, profitability 10%, interest rate match 5% and capital adequacy 5%.

Prices are $330 per quarter for hard copy, $450 per quarter with Telerate.

**Contact:** Neill Reilly, managing director.

### Richard Bort & Associates

*P.O. Box 55394, Sherman Oaks, Calif. 91413; (818) 509-9787*

Richard Bort & Associates offers consulting in cash and treasury management, electronic data interchange and corporate finance.

**Contact:** Richard Bort, president.

### Brockden Associates Inc.
*P.O. Box 67, Mendham, N.J. 07945; (201) 543-9504*

Brockden Associates Inc. offers treasury management consulting: reviews, systems studies, software analysis design, development and integration, and EFT/EDI.

Prices are determined on a per project basis.

**Contact:** John Wilson, president.

### Cash Management Institute and The Donoghue Organization Inc.
*P.O.Box 540, 360 Woodland St., Holliston, Mass. 01746; (800) 343-5413; (617) 429-5930 in Massachusetts*

The Cash Management Institute offers cash management conferences, a national forum in the spring and publishes The Cash Manager newsletter.

The cost of the conference with membership discount is $695 and the newsletter is $275 annually.

The Donoghue Organization offers Donoghue's Money Fund Report, a weekly newsletter on money market funds, in addition to other financial information. Prices vary.

**Contacts:** For the Cash Management Institute, Kim MacKenzie Todd, assistant director; for the Donoghue Organization, Ken Bohlin, vice president.

### Cash Management Resources
*20 McGarrah Road, Monroe, N.Y. 10950; (914) 783-1231*

Cash Management Resources offers cash management consulting and training to corporations and financial institutions.

Prices are negotiable depending on the project.

It has 10 clients.

**Contact:** Leslie N. Masonson, president.

### Coopers & Lybrand
*1 Post Office Square, Boston, Mass. 02109; (617) 574-5340*

Coopers & Lybrand offers domestic and international cash management and treasury services. Consulting includes: diagnostic assessments and evaluations, with specific emphasis on controls, cost reductions and revenue enhancements.

**Contact:** Robert T. Mayer, practice director.

### Coopers & Lybrand Management Consulting Services
*203 N. La Salle St., Chicago, Ill. 60601; (312) 701-5606*

Coopers & Lybrand Management Consulting Services offers consulting services in all areas of corporate finance and treasury operations. It has special capabilities in Electronic Data Interchange technology.

Professional fees are quoted upon request.

**Contact:** Michael T. Manion, manager-treasury services.

### EDI Group Ltd.
*P.O. Box 710, Oak Park, Ill. 60303; (312) 845-0135*

EDI Group Ltd., formed in 1987, offers three units to assist corporations moving to electronic funds transfer and data interchange. EDI Education Inc. offers public and private seminars; EDI Resources Inc. does market research on the use of EDI; and EDI Publications Inc. publishes a quarterly, Forum: The Journal of EDI.

Prices are negotiable.

**Contact:** Daniel M. Ferguson, president, or Ned C. Hill, vice president.

### EDS Remittance Processing Services
*Cambridge Centre, 38777 Six Mile Road, Livonia, Mich. 48152; (313) 591-7156*

EDS Remittance Processing Services offers retail remittance processing, retail remittance document printing and remittance information system integration.

It has two clients, including General Motors Acceptance Corp.

Electronic Data Systems Corp., Dallas, owns at least 20% of the firm.

**Contact:** Greg Calhoun, marketing manager.

### Electronic Cash Management Inc.
*1225 Johnson Ferry Road N.E., Suite 230, Marietta, Ga. 30068; (404) 973-4683*

Electronic Cash Management Inc. serves as consultant to corporations in electronic funds transfer and electronic data interchange.

Prices are negotiable.

**Contact:** Jack Shaw, president.

### Gifford Fong Associates
*1600 Riviera Ave., Suite 285, Walnut Creek, Calif. 94596; (415) 932-1910*

Gifford Fong Associates offers the cash management software system Cashsens, comprising three modules: Cashrate, an on-line overview of the short term market; Cashcalc, for evaluating individual trades; and Cashport, a portfolio accounting and reporting system.

Prices vary according to the customer's relationship with the firm.

Prudential-Capital Markets, Newark, N.J., owns at least 20% of the firm.

**Contact:** Faustina Norris, vice president.

### Hamilton Taft & Co.
*567 Golden Gate Ave., San Francisco, Calif. 94102; (415) 863-2929*

Hamilton Taft & Co. offers cash management of government payables, primarily collections and disbursements of payroll taxes and cash management and investment of payroll taxes.

Transaction fees are in accordance with volume.

It has 500 clients, including Aerojet, EDS and E.F. Hutton.

CIGNA Corp., Hartford, Conn., owns at least 20% of the firm.

**Contact:** Fran Bartlett, vice president.

### National Processing Co. Inc.
*1231 Durrett Lane, Louisville, Ky. 40285-0001; (502) 364-2092*

National Processing Co. Inc. offers a retail lockbox network with processing centers in Chicago, Dallas, Louisville and Phoenix, Ariz., with plans to open a processing center in Atlanta this year.

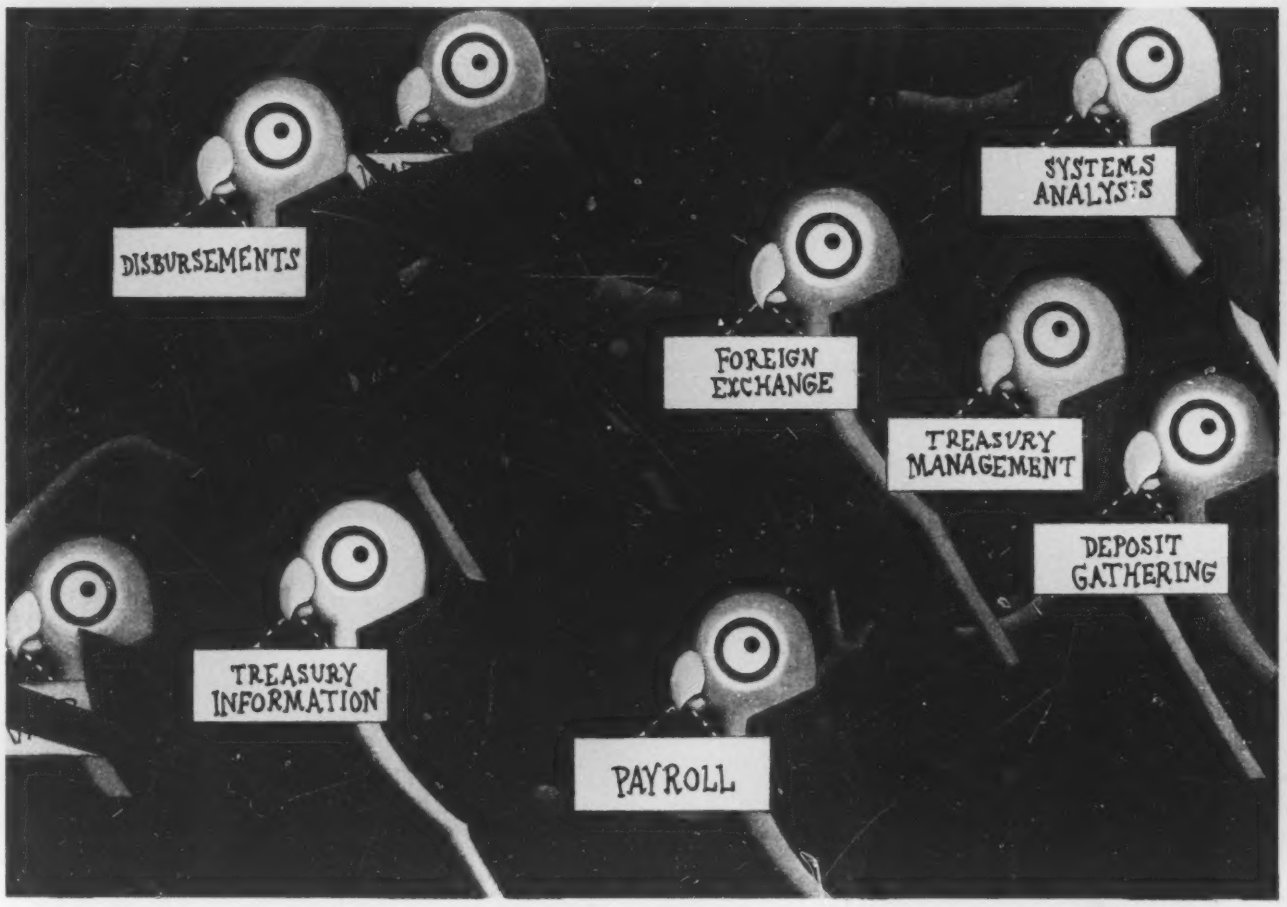
Prices vary.

It has 80 clients.

First Kentucky National Corp., Louisville, owns at least 20% of the firm.

**Contact:** George Schuh, vice president-sales.

Highlights of 1987: Dec. 28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With TD's *simplified* approach to cash management, you won't get lost in the jungle.

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If you'd welcome a simple, direct approach to your company's unique cash management requirements, give us a call today. We'll have *one* of our representatives on your doorstep tomorrow.

For more information on TD Cash Management, call Ken Buchanan at 416-982-2362.

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## Directory

### Nationwide Remittance Centers Inc.
*7926 Jones Branch Drive, McLean, Va. 22102; (703) 538-2606*

Nationwide Remittance Centers offers nationwide retail remittance processing at 21 sites, using a network of 16 agent banks. It also offers electronic remittance processing for pay-by-phone and home-banking transactions and back-up disaster recovery remittance processing.

Prices are negotiable.

**Contact:** Roger Hancock, vice president-marketing.

### Olson Research Associates
*6305 Ivy Lane, Greenbelt, Md. 20770; (301) 982-0400*

Olson Research Associates Inc. publishes The Olson Score Annual Edition, which provides financial data, rankings, ratings and performance scores on the top 100 domestic bank holding companies.

The cost is $225.

**Contact:** Mary Heath, marketing associate.

### Peat, Marwick, Main & Co.
*345 Park Ave., New York, N.Y. 10154; (212) 872-5808*

Peat, Marwick, Main & Co. offers controls reviews, short-term investments, banking diagnostic reviews, treasury systems evaluation and design, international treasury services, forecasting and organizational reviews.

**Contact:** Fred L. Cohen, principal.

### J.C. Penney Credit Services
*P.O. Box 300, Dallas, Texas 75221; (214) 881-6952*

J.C. Penney Credit Services Inc. offers retail lockbox, private-label credit card services and bank-card settlement services.

It has eight clients.

J.C. Penney Co. Inc., New York, owns at least 20% of the firm.

**Contact:** Stephen F. Hopkins and Michael Napolitan, product managers.

### Phoenix-Hecht
*550 Frontage Road, Northfield, Ill. 60093; (312) 441-9080*
*P.O. Box 13628, Research Triangle Park, N.C. 27709; (919) 541-9339*

The Northfield office offers consulting, cash management education and market research.

Prices vary according to the task.

It has 45 clients, including First Illinois, Centel and A.E.S.

The North Carolina office offers postal surveys; check clearing studies; lockbox and disbursement models for microcomputers and mainframes; electronic payments evaluation and PC-based data bases for market research.

It has 200 clients.

Phoenix-Hecht, North Carolina, also offers a software program, the Account Analysis Monitor, which standardizes account analysis statement formats and terminology to perform comparative and trend analysis across multiple banks and over time.

The price ranges from $1,500 to $4,500.

UAI Technology Inc., Research Triangle Park, N.C., owns at least 20% of the firm.

**Contacts:** Larry A. Marks, president, Northfield; and David Bochnovic, vice president, North Carolina. For the software, contact Gary D. Schneider or Brad G. Tunell in North Carolina.

### Price Waterhouse, Treasury Consulting Services
*153 E. 53rd St., New York, N.Y. 10022; (212) 371-2000*

Price Waterhouse, Treasury Consulting Services offers cash management diagnostic reviews, cash flow forecasting development, currency and exposure management reviews, treasury performance measurement, debt and investment management analysis, credit management reviews, bank relationship management, treasury management systems support and treasury organizational reviews.

Prices range from $5,000 to $500,000.

**Contact:** Lennart Lindegren, principal.

### Structured Asset Management
*P.O. Box 61, Henderson, N.C. 27536; (919) 492-7203*

Structured Asset Management offers capital formation techniques, working capital management and cash management techniques and audits.

It has seven clients.

**Contact:** George B. Rush, principal and consultant

### Treasury Strategies Inc.
*180 N. La Salle St., Suite 1820, Chicago, Ill. 60601; (312) 443-0840*

Treasury Strategies Inc. offers professional advisory services to corporations and financial institutions in the areas of payment systems, cash management and banking services.

It also offers account analysis software, Treasury 1 and bank cost management.

It has 90 clients, including Borg Warner and Brunswick.

**Contact:** Anthony J. Carfang or Richard J. Poje, principals.

### Valutech
*17682 Mitchell North, Suite 203, Irvine, Calif. 92714; (714) 474-1665*

Valutech develops proprietary software that offers cost advantages to companies in disbursement management and cash management. Benefits arise from payment timing, controlled disbursement and other factors.

Prices start at $18,000.

It has 60 clients.

Data Card Corp., Minneapolis, owns at least 20% of the firm.

**Contact:** Eric Thompson, president.

### Veribanc Inc.
*P.O. Box 2963, Woburn, Mass. 01888; (617) 245-8370*

Veribanc Inc. offers financial reports on federally insured banks, savings and loans, mutual savings banks and credit unions. It also offers lists of institutions meeting various, client-selected criteria. Twenty-four hour priority and callback service is available.

The short-form report costs $20; the research report, $45; and custom programming starts at $100.

It has approximately 1,500 clients.

**Contact:** Kitty T. Heller, president.

### White Papers Inc.
*134 Harrison Ave., Montclair, N.J. 07042-2474; (201) 746-5456*

White Papers Inc. offers electronic payment strategic development studies and confidential "White Papers" on specific payment issues. It sponsors national annual corporate electronic payments conferences and other local conferences and seminars.

**Contact:** George C. White, president.

### Wismer Associates Inc.
*22134 Sherman Way, Canoga Park, Calif. 91303; (818) 884-5515*

Wismer Associates Inc. offers Wismer Moneymax Investment Management System for public sector investors with short-term investment portfolios and Wismer Cashmax Investment Management System designed for corporate cash treasury management.

It has 100 clients, including the states of Florida, Michigan, New York and Pennsylvania.

SunGard Data Systems Inc., Wayne, Pa., owns at least 20% of the firm.

**Contact:** Scott Montgomery.

### Woods Gordon/Arthur Young International
*P.O. Box 251, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M6R 1G4; (416) 864-1212*

Woods Gordon/Arthur Young International offers cash management diagnostic reviews, investment management organizational/operational reviews, value-for-money audits, and treasury decision support systems.

Prices are determined on a case-by-case basis.

It has 15 clients.

Arthur Young International, New York, owns at least 20% of the firm.

**Contact:** William H.T. Vanderburgh, principal.

### XRT Inc.
*989 Old Eagle School Road, Wayne, Pa. 19087; (215) 254-0300*

XRT Inc. offers cash management, commercial paper, investments, debt systems and book entry systems.

It has five clients, including Prudential Insurance, IBM Credit and Westinghouse Credit.

**Contact:** Carl Mendenhall, president.

### Arthur Young & Co.
*277 Park Ave. New York, N.Y. 10017; (212) 407-1500*

Arthur Young & Co. offers a full array of corporate cash management consulting services.

**Contact:** Charles Mansfield Jr., partner.

## CTP, CTX send/receive availability

| Bank | CTP send/receive | CTX availability |
|---|---|---|
| ABN LaSalle Nat'l Bank | s,r | 1988 |
| AmeriTrust | s,r | 1987 |
| AmSouth Bank | | 1988 |
| Bancohio Nat'l Bank | | 1987 |
| Bank of America | s,r | 1987 |
| Bank of Boston | s,r | 1987 |
| Bank of Delaware | s,r | 1987 |
| Bank of Hawaii | r | 1988 |
| Bank of New York | r | 1987 |
| Bank of Oklahoma | | 1987 |
| Bank One, Dayton | r | 1987 |
| Bankers Trust | s,r | 1988 |
| Barnett Banks | s,r | 1988 |
| Branch Banking & Trust | s,r | 1988 |
| Centerre Trust | s,r | 1987 |
| Central Nat'l Bank & Trust/Oklahoma | s,r | 1989 |
| Central Trust/Cincinnati | s,r | 1988 |
| Chase Manhattan Bank | s,r | 1988 |
| Chemical Bank | s,r | 1987 |
| Citizens & Southern Nat'l Bank | s,r | 1987 |
| Colorado Nat'l Bank/Denver | s,r | 1988 |
| Comerica | s,r | 1987 |
| Commerce Bank/Kansas City | s,r | 1988 |
| Connecticut Bank & Trust | | 1987 |
| Connecticut Nat'l Bank | s,r | 1988 |
| Continental Illinois Nat'l Bank | s,r | 1987 |
| Deposit Guaranty Nat'l Bank | | 1987 |
| Equitable Bank | | 1988 |
| Fidelity Bank | s,r | 1987 |
| Fifth Third Bank | s,r | 1987 |
| First American Nat'l Bank | | 1987 |
| First Bank System | s,r | 1987 |
| First City Nat'l Bank/Houston | s,r | 1987 |
| First Interstate Bank | r | 1988 |
| First Interstate/Arizona | r | 1988 |
| First Interstate/California | s,r | 1988 |
| First Interstate/Denver | s,r | 1988 |
| First Interstate/Oklahoma | s,r | 1987 |
| First Interstate/Oregon | r | 1988 |
| First Interstate/Washington | s,r | |
| First Jersey Nat'l Bank | s,r | 1987 |
| First Nat'l Bank/Albuquerque | s,r | 1987 |
| First Nat'l Bank/Chicago | s,r | 1987 |
| First Nat'l Bank of Commerce | s,r | 1987 |
| First Nat'l Bank/Louisville | s,r | |
| First Nat'l Bank/Maryland | s,r | 1987 |
| First Nat'l Bank/Omaha | s,r | 1988 |
| First Pennsylvania Bank | r | 1988 |
| First RepublicBank | s,r | 1987 |
| First Security Bank/Utah | s,r | 1988 |
| First Tennessee Bank | | 1988 |
| First Union Nat'l Bank/Florida | s,r | 1987 |
| First Union Nat'l Bank/Georgia | s,r | 1988 |
| First Union Nat'l Bank/North Carolina | s,r | 1988 |
| First Union Nat'l Bank/South Carolina | s,r | 1988 |
| First Wachovia | s,r | 1988 |
| First Wisconsin Nat'l Bank | s,r | 1988 |
| Fleet Nat'l Bank | s,r | |
| Harris Trust and Savings Bank | s,r | 1987 |
| Irving Trust | s,r | 1987 |
| Liberty Nat'l Bank & Trust | r | 1988 |
| Manufacturers Hanover Trust | s,r | 1987 |
| Manufacturers Nat'l Bank | s,r | 1987 |
| Marine Bank | r | 1988 |
| Marquette Bank | s,r | |
| MBank Houston | s,r | 1987 |
| Mellon Bank | s,r | 1987 |
| Mercantile Bank | s,r | 1987 |
| Merchants Nat'l Bank | s,r | 1987 |
| Meridian Bank | | 1988 |
| Michigan Nat'l Bank | s,r | 1987 |
| M&I Marshall & Ilsley Bank | s,r | 1988 |
| Nat'l Bank/Detroit | s,r | 1987 |
| Nat'l City Bank | s,r | 1987 |
| Nat'l Westminster Bank | s,r | 1987 |
| NCNB Nat'l Bank/North Carolina | s,r | 1988 |
| Northern Trust | s,r | 1987 |
| Norwest Bank Minneapolis | r | 1987 |
| Norwest Bank Nebraska | s,r | 1987 |
| Norwest Bank South Dakota | s,r | |
| Old Kent Bank & Trust | | 1987 |
| Philadelphia Nat'l Bank | s,r | 1987 |
| Pittsburgh Nat'l Bank | s,r | 1987 |
| Provident | r | * |
| Rainier Bank | s,r | 1987 |
| Security Pacific Nat'l Bank | s,r | 1987 |
| Shawmut Bank | s,r | 1987 |
| Signet Bank | s,r | 1988 |
| Signet Bank/Maryland | | 1987 |
| Signet Bank/Virginia | s,r | 1988 |
| Society Nat'l Bank | s | 1988 |
| Southeast Bank | r | |
| Sovran Bank/Virginia | s,r | 1987 |
| State Street Bank & Trust | s,r | 1987 |
| Sun Bank | s,r | 1988 |
| Texas American Banks | s,r | 1988 |
| Texas Commerce Bank | s,r | 1987 |
| Third Nat'l Bank/Nashville | s,r | 1988 |
| Toledo Trust | r | 1987 |
| Trust Company Bank | r | 1987 |
| United Bank of Denver | | 1987 |
| United Jersey Bank | | 1987 |
| United Missouri Bank/Kansas City | s,r | |
| United Virginia Bank | | 1988 |
| U.S. Nat'l Bank/Oregon | s,r | 1988 |
| Valley Nat'l Bank | s,r | 1987 |
| Wilmington Trust | s,r | 1987 |

* Provident will receive CTX in 1987 and send in 1989.

## Managers

### Aetna Capital Management
*151 Farmington Ave., Hartford, Conn. 06156; (203) 636-6226*

**Short-term funds:** $966,000,000
**Clients:** 20
**Investment style:** Managers aggressively alter the account's maturity based on interest rate outlook. Account weightings are moved from overvalued sectors to undervalued sectors to compound investment gains. Managers monitor portfolio total return performance to ensure adherence to strict risk control guidelines.
**Instruments/strategies:** Govern-

ment money market; taxable and tax-exempt commercial paper; municipal or other tax-exempt securities; adjustable-rate preferred stocks; and auction-rate preferred stocks.

**Fees:** 0.6% for the first $5 million in mean assets; 0.35% for the next $20 million; then 0.125%.

**Client contact:** T. Jerald Moore, president.

### Alpine Capital Management

*650 S. Cherry St., Suite 700, Denver, Colo. 80222; (303) 320-3944*

**Short-term funds:** $12,000,000
**Clients:** 55

**Investment style:** Managers take an asset allocation approach, maximizing the yield curve and spreads, and emphasizing preservation of capital during adverse market conditions.

**Instruments/strategies:** Government money market; municipal or other tax-exempt securities; straight-rate and adjustable-rate preferred stocks.

**Fees:** 1.5% annually, declining 0.1% for each $250,000 to a minimum annual fee of 0.7%.

**Client contact:** Jim Morrill, principal.

### BA Investment Management Corp.

*555 California St., San Francisco, Calif. 94104; (415) 622-6770*

**Short-term funds:** $1,500,000,000
**Clients:** 55, including A.F.G. Industries; Mattel; Computer Sciences.

**Investment style:** The firm is an active manager, consistently adding value while controlling risk to achieve client objectives of preservation of principal, liquidity and performance.

**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, Euro-commercial); tax-exempt commercial paper; bank loan participation agreements; municipal or other tax-exempt securities; dividend capture strategies; auction-rate preferred stocks.

**Fees:** 0.15% annually.

**Client contact:** A.L. McNitt Jr., vice president.

### Bartlett & Co.

*36 E. Fourth St., Cincinnati, Ohio 45202; (513) 621-4612*

**Short-term funds:** $75,000,000
**Clients:** 95

**Investment style:** The firm runs the Bartlett Corporate Cash Mutual Fund, which is diversified in different instruments, as well as separate accounts in dividend capture and other strategies.

**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, not prime/unrated and Euro-commercial); tax-exempt commercial paper; municipal or other tax-exempt securities; dividend capture strategies; straight-, adjustable- and auction-rate preferred stocks; common stocks; stock index futures/options; individual stock options; and interest rate futures/options.

**Client contact:** Larry Lutz, director of marketing.

### The Boston Co./Boston Safe Deposit & Trust Co.

*1 Boston Place, Boston, Mass. 02106; (617) 722-7578*

**Short-term funds:** $300,000,000
**Clients:** 8

**Investment style:** The firm uses active management and a flexible fee structure. Yield, liquidity and safety parameters are strictly observed.

**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime); municipal or other tax-exempt securities; and adjustable-rate preferred and auction-rate preferred stocks.

**Fees:** 10 to 25 basis points, depending on size.

**Client contact:** Peter B. McManus, vice president.

### Brown Brothers Harriman

*59 Wall St., New York, N.Y. 10005; (212) 483-1818*

**Short-term funds:** $1,600,000,000
**Clients:** 13

**Investment style:** The firm actively manages high-quality, highly liquid, short-term assets, including U.S. Treasury, agency, corporate and money-market securities.

**Instruments/strategies:** Government money market; taxable commercial paper (prime and Euro-commercial); and straight-, adjustable- and auction-rate preferred stocks.

**Fees:** 0.15% annually on the first $50 million; 0.125% on the next $100 million; and 0.1% on excess of $150 million, with a minimum of $50,000 per year.

**Client contact:** Paul A. Legvold, manager.

### S.A. Bush Consolidated Cash Management Accounts/Interstate

*4830 W. Kennedy Blvd., Suite 690, Tampa, Fla. 33609; (813) 875-8854*

**Short-term funds:** $10,000,000
**Clients:** 15, including Milford Construction and Poe and Associates.

**Investment style:** Managers use the Bush/Interstate Corporate Cash Management Index; proprietary computer screens to search for price discrepancies in income-producing securities; individualized tax strategies; and a proprietary model for specialized short-term asset allocation. Minimum for commingled accounts is $50,000; minimum for individual accounts is $5 million.

**Instruments/strategies:** Municipal or other tax-exempt securities; dividend capture; straight-, adjustable— and auction-rate preferred stocks; common stocks; convertible preferred stocks and depository units.

**Fees:** No advisory fees. There are soft-dollar fees for transactions at discounted institutional rates.

**Client contact:** Stephen A. Bush, sales vice president.

### Capitoline Investment Services Inc.

*919 E. Main St., Richmond, Va. 23219; (804) 782-7?51*

**Short-term funds:** $225,000,000
**Clients:** 63

**Investment style:** Managers pay primary attention to analysis of the yield curve and probable movements of short-term rates, actively positioning maturities to best take advantage of such movements. Particular attention also is paid to special situations that give rise to attractive short-term yield opportunities. The firm also offers a dividend capture program, using a deep-in-the-money buy/write strategy and dynamic hedging with index options.

**Instruments/strategies:** Government money market; taxable commercial paper (prime); tax-exempt commercial paper; municipal or other tax-exempt securities; dividend capture; adjustable-rate preferred stocks; common stocks; stock index options/futures; and individual stock options.

**Fees:** Vary with type of service.

**Client contact:** William E. Heisler, vice president-director of marketing.

### W.P. Carey & Co.

*689 Fifth Ave., 4th Floor, New York, N.Y. 10022; (212) 888-7700*

**Short-term funds:** $25,000,000
**Clients:** 300

**Investment style:** The firm runs the Corporate Preferred Fund Inc., an adjustable-rate preferred stock mutual fund.

**Fees:** Load-fund management fees start at 2%.

**Client contact:** Kathie Tricarico, second vice president.

### Chase Lincoln First Bank

*1 Lincoln First Square, Rochester, N.Y. 14643; (716) 258-5220*

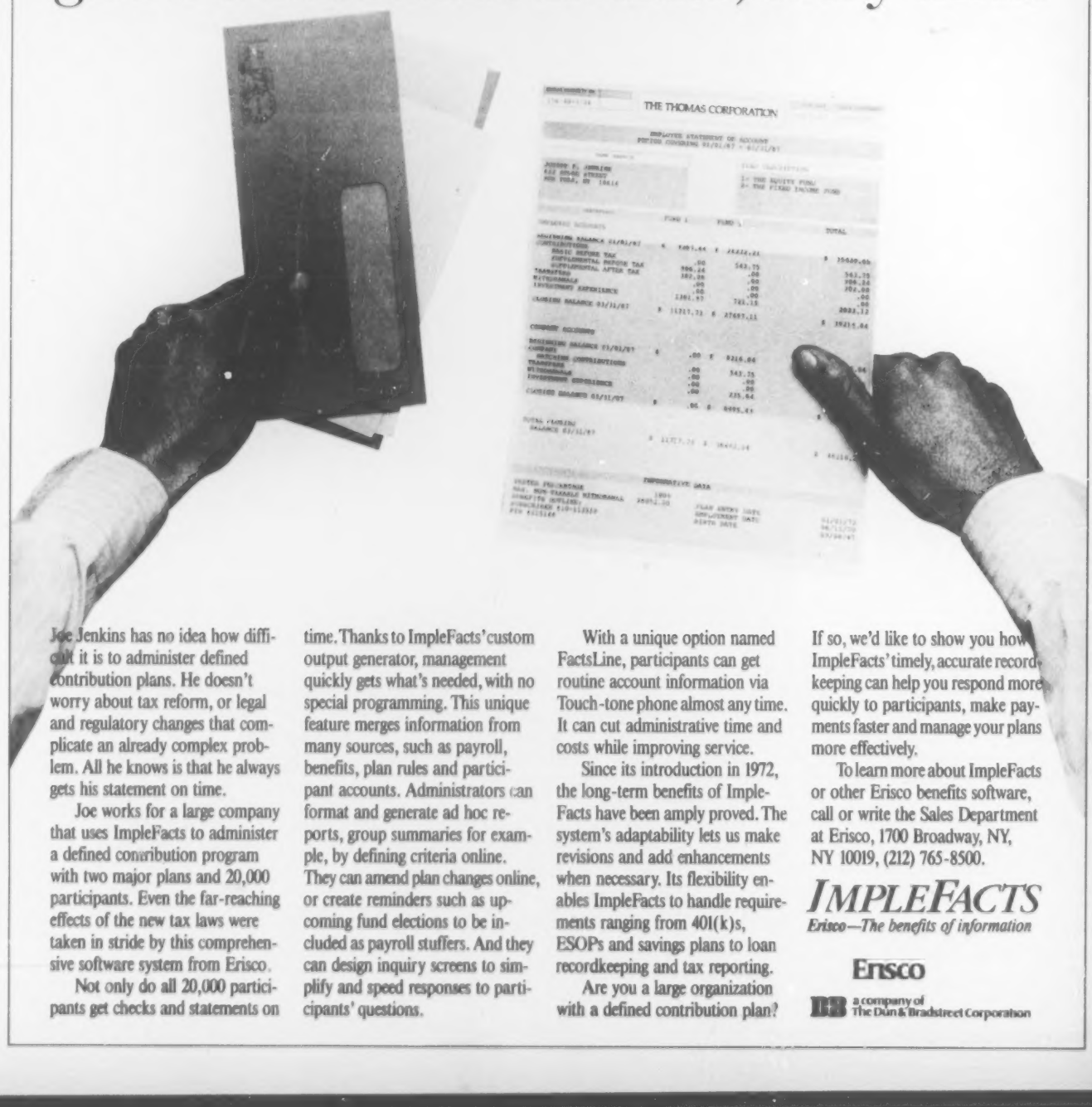
**Short-term funds:** $900,000,000
**Clients:** 60

**Investment style:** The firm uses active trading, interest rate judgments and a wide range of short-term vehicles.

**Instruments/strategies:** Govern-


*ImpleFacts—The Defined Contribution Administration System*

# Tax reform. Two major plans. 20,000 participants. But Joe Jenkins still gets his statement on time, every time.




Joe Jenkins has no idea how difficult it is to administer defined contribution plans. He doesn't worry about tax reform, or legal and regulatory changes that complicate an already complex problem. All he knows is that he always gets his statement on time.

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## Directory

ment money market; taxable commercial paper (prime and not prime/unrated); bank loan participation agreements; municipal or other tax-exempt securities; straight-, adjustable- and auction-rate preferred stocks.

**Fees:** Sliding scale, beginning at 40 basis points.

**Client contact:** Kathleen A. Dennis, vice president.

### Chemical Bank
*277 Park Ave., New York, N.Y. 10172; (212) 310-4504*

**Short-term funds:** $2,800,000,000
**Clients:** 29

**Investment style:** Following client objectives and requirements, the bank sets appropriate investment parameters. Assets are managed aggressively. Believing active management is an essential element in an environment of interest rate volatility, managers use computer-driven analysis to anticipate the direction of interest rates. The bank's presence in New York, London and Tokyo allows 24-hour trading.

**Instruments/strategies:** Government money market; foreign-denominated securities; taxable and tax-exempt commercial paper; bank loan participation agreements; municipal or other tax-exempt securities; straight-, adjustable- and auction-rate preferred stocks; interest rate futures/options.

**Fees:** Performance-oriented or based on assets under management.

**Client contact:** Matthew R. Cody, vice president.

### Citicorp Investment Management Inc.
*153 E. 53rd St., New York, N.Y. 10043; (212) 559-9710*

**Short-term funds:** 1,300,000,000
**Clients:** 22

**Investment style:** Citicorp takes an active management/total return approach. Managers anticipate changes in interest rates, yield curve and relative value analysis.

**Instruments/strategies:** Government money market; taxable commercial paper (prime).

**Fees:** 0.25% on the first $10 million; 0.2% on the next $15 million, and 0.15%. The minimum is $25,000.

**Client contact:** Joan McIlroy, vice president.

### Conner Capital Corp.
*450 Springfield Ave., Summit, N.J. 07901; (201) 277-0007*

**Investment style:** Conner is an unregistered investment adviser.

**Client contact:** Robert E. Conner, chief executive.

### Constitution Capital Management
*53 State St., Boston, Mass. 02109; (617) 722-3955*

**Short-term funds:** $155,000,000
**Clients:** 6, including Burr, Egan, Deleage; and Boston Ventures Management.

**Investment style:** There is an emphasis on quality (A1/P1) commercial paper and top-quality U.S. and foreign bank CDs and banker's acceptances. Laddered maturities provide liquidity without giving up yield through forced sales.

**Instruments/strategies:** Government money market; taxable commercial paper (prime, Euro-commercial); tax-exempt commercial paper; municipal or other tax-exempt securities; dividend capture; adjustable- and auction-rate preferred stocks.

**Fees:** 0.3% on the first $5 million; 0.2% on the next $10 million; 0.1% on the next $15 million; 0.05% on the next $20 million; negotiable over $50 million. Annual minimum is $5,000.

**Client contact:** Joyce A. Braude, vice president.

### Discount Corp. of N.Y. Advisers
*58 Pine St., New York, N.Y. 10005; (212) 248-8989*

**Instruments/strategies:** Government money market instruments and taxable commercial paper.

**Fees:** Cash equivalent/STIF fee is 15 basis points.

**Client contact:** Barbara D. Fiorito, vice president.

### Drexel Management Corp.
*131 S. Rodeo Drive, Beverly Hills, Calif. 90212; (213) 281-3657*

**Short-term funds:** $25[illegible],000,000
**Clients:** 12

**Investment style:** Drexel tailors each portfolio to a client's specific parameters. All portfolios are actively managed to maximum yield. Analysis of economic variables and anticipation of interest rate trends are key determinants in structuring strategies.

**Instruments/strategies:** CDs; Yankee CDs; Euro CDs; Euro time deposits; bankers acceptances; T-bills, notes and bonds; taxable and tax-exempt commercial paper; loan participation agreements; repurchase agreements; money market funds; auction-rate preferred stocks; government agencies; tax-exempt notes; increasing-rate corporate notes; interest rate futures/options.

**Client contact:** Michael J. Napoli Jr., vice president.

### E.G. Capital Management
*1111 Summer St., Stamford, Conn. 06905; (203) 359-8870*

**Short-term funds:** $30,000,000
**Clients:** 2

**Investment style:** E.G. Capital follows an aggressive dividend capture system using common stock buy-write option strategies to hedge with an emphasis on pre-tax returns.

**Instruments/strategies:** Dividend capture.

**Fees:** 1% of assets under management. Performance fee available.

**Client contact:** Edward A. Greene, president.

### First Boston Asset Management Corp.
*12 E. 49th St., New York, N.Y. 10017; (212) 909-2245*

**Short-term funds:** $350,000,000
**Clients:** 5

Chicago Milwaukee Corp.; Hughes Aircraft Inc.

**Investment style:** The firm takes a structured, disciplined, quantitative approach. The foundation is computer-based total return optimization, integrating various risk and liquidity constraints, with an extensive data base of market sectors and special securities.

**Instruments/strategies:** Government money market; taxable and tax-exempt commercial paper; municipal or other tax-exempt securities; straight-, adjustable- and auction-rate preferred stocks.

**Fees:** Negotiable. Fixed and incentive arrangements available.

**Client contact:** L. John Achenbach II, principal.

### First Chicago Investment Advisors
*3 First National Plaza, Chicago, Ill. 60670; (312) 732-8440*

**Short-term funds:** $40,000,000
**Clients:** 6

**Investment style:** Investment portfolios are customized based on a client's objectives.

**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, not prime/unrated, Euro-commercial); tax-exempt commercial paper; bank loan participation agreements; municipal or other tax-exempt securities; and straight-, adjustable- and auction-rate preferred stocks.

**Client contact:** Diana Cohen, assistant vice president.

### Fischer, Francis, Trees & Watts Inc.
*717 Fifth Ave., New York, N.Y. 10022; (212) 350-8050*

**Short-term funds:** $925,000,000
**Clients:** 6

**Investment style:** Portfolio commitments to both maturity and issue sectors are shifted based on an assessment of the various major factors bearing on the fixed-income market

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(monetary policy, credit, economic conditions, international considerations) and analysis of the yield curve.

**Instruments/strategies:** Government money market instruments; taxable commercial paper (prime); and interest rate futures/options.

**Client contact:** Cecilia Murphy, vice president.

### Flag Investors Corporate Cash Trust

*P.O. Box 515, Baltimore, Md. 21203; (301) 727-1700*

**Short-term funds:** $35,000,000
**Clients:** 200
**Investment style:** Managers buy common stocks, write covered calls and hedge with index puts.
**Instruments/strategies:** Dividend capture.
**Fees:** Fund expenses are 1.4% per year.
**Client contact:** Edward J. Veilleux, vice president and treasurer.

The outlook for 1988: Dec. 28.

### Flaherty & Crumrine Inc.

*301 E. Colorado Blvd., Suite 720, Pasadena, Calif. 91101; (818) 795-7300*

**Short-term funds:** $1,000,000,000
**Clients:** 15
**Investment style:** Involves preferred stocks and financial futures.
**Instruments/strategies:** Government money market; municipal or other tax-exempt securities; straight-, adjustable- and auction-rate preferred stocks; common stocks; stock index futures/options.
**Fees:** $15 million minimum investment with an $82,500 fee.
**Client contact:** Robert T. Flaherty, president.

### Gabelli-O'Connor Fixed Income Management Co.

*8 Sound Shore Drive, Greenwich, Conn. 06830; (203) 629-2090*

**Investment style:** The firm actively manages short-term and intermediate portfolios on a total return basis, tailored to each client's needs.
**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, not prime/unrated, Euro-commercial); tax-exempt commercial paper; municipal or other tax-exempt securities; adjustable- and auction-rate preferred stocks; and interest rate futures/options.
**Fees:** 20 basis points on the first $100 million, 15 basis points thereafter.
**Client contact:** Thomas E. O'Connor, managing partner.

### Gateway Investment Advisers Inc.

*400 TechneCenter Drive, Cincinnati, Ohio 45150; (513) 248-2700*

**Short-term funds:** $180,000,000
**Clients:** 30, including Central Illinois Public Service; Eagle-Picher; Guilford Mills; and Lee Data.
**Investment style:** Gateway Investment Advisers follows a classic dividend capture strategy: call options are sold against positions and index put options are used to reduce downside risk. Diversification of assets is stressed.
**Instruments/strategies:** Dividend capture; common stocks; stock index futures/options; individual stock options.
**Fees:** 1.2% of asset value.
**Client contact:** Peter W. Thayer, executive vice president.

### Huntington Advisers Inc.

*251 S. Lake Ave., Suite 600, Pasadena, Calif. 91101; (213) 681-3700*

**Investment style:** Multi-currency cash equivalents are emphasized. Investment are actively managed for maximum total return with minimal credit and maturity risk.
**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, not prime/unrated, Euro-commercial).
**Fees:** 0.65%
**Client contact:** Donald P. Gould, president.

### Jefferies & Co.

*55 W. Monroe, Suite 2500, Chicago, Ill. 60603; (312) 750-4949*

**Short-term funds:** $300,000,000
**Clients:** 50
**Investment style:** Dividend capture.
**Instruments/strategies:** Dividend capture; straight-rate preferred stocks; interest rate futures/options.
**Fees:** Brokerage commissions.
**Client contact:** John M. Eberle, senior vice president and national manager-corporate investment group.

### Laidlaw Capital Management

*275 Madison Ave., New York, N.Y. 10016; (212) 949-5407*

**Short-term funds:** $5,000,000
**Clients:** 5, including Zeus Scientific and Federal Bronze Products.
**Investment style:** Tailored to client requirements.
**Instruments/strategies:** Government money market; foreign-denominated securities; municipal or other tax-exempt securities; dividend capture; straight- and adjustable-rate preferred stocks; common stocks.
**Fees:** 0.4% to 0.5%
**Client contact:** W.L. Twiste, vice chairman.

### The Leonard Management Group

*407 W. Avon Road, Avon, Conn. 06001; (203) 673-3237*

**Short-term funds:** $20,000,000
**Clients:** 10
**Investment style:** Tailored to client needs.
**Instruments/strategies:** Government money market; taxable commercial paper (prime, not prime/unrated); tax-exempt commercial paper; bank loan participation agreements; municipal or other tax-exempt securities; dividend capture; straight- and adjustable-rate preferred stocks; common stocks; individual stock options.
**Fees:** 0.5% annually of assets under management, collected 0.125% quarterly.
**Client contact:** James P. Leonard, president.

### Liberty Capital Management

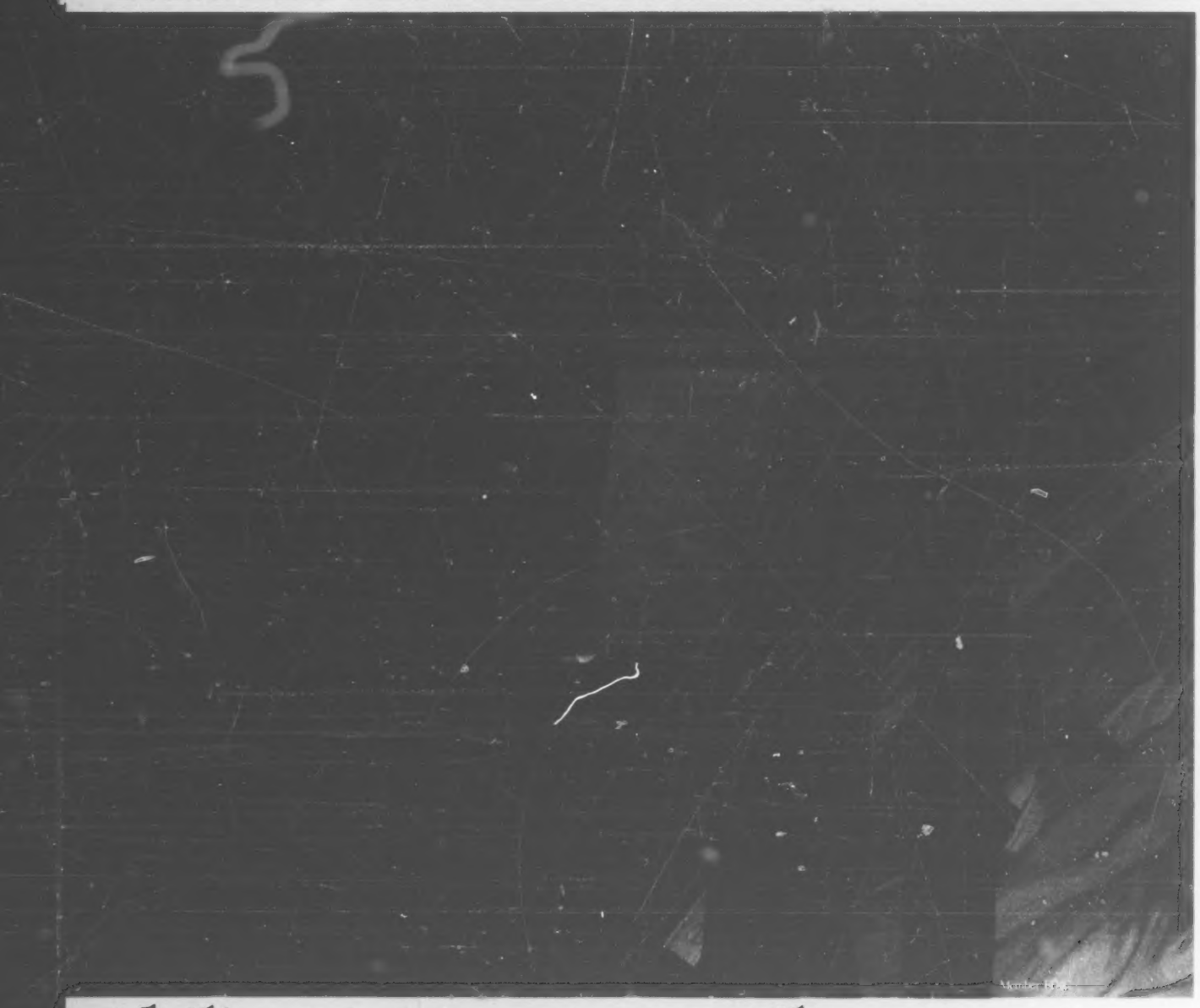
*11 Broadway, Suite 1066, New York, N.Y. 10004; (212) 509-0550*

**Short-term funds:** $194,000,000
**Clients:** 43, including Southern Life Insurance; Blue Cross/Blue Shield of Minnesota; and Hawaii Medical Services Association.
**Investment style:** Liberty Capital invests alternately in cash and four-year Treasury notes with the goal of producing capital gains in the notes. Investment decisions are based on a quantitative program that focuses on the price movements of T-notes. ARPS portfolios also are available.
**Instruments/strategies:** Government money market and adjustable-rate preferred stocks.
**Fees:** 0.5% on up to $20 million; 0.4% on the next $30 million; 0.3% on amounts more than $50 million.
**Client contact:** Susan B. Thompson, marketing manager.

### J.P. Morgan Investment Management Inc.

*9 W. 57th St., New York, N.Y. 10019; (212) 826-7296*

**Short-term funds:** $1,145,000,000
**Clients:** 18
**Investment style:** Accounts are actively managed, using a balanced approach to trading and risk management. Three elements are stressed: applying fundamental analysis to time market moves, control maturity structure and allocate assets; diversifying across a broad range of fixed-income investments to increase returns and lower portfolio risk; using rigorous credit analysis to maintain high credit quality.

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**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, not prime/unrated, Euro-commercial); tax-exempt commercial paper; municipal or other tax-exempt securities; adjustable- and auction-rate preferred stocks; interest rate futures/options.
**Fees:** 0.15% on the first $100 million; 0.125% on next $100 million; 0.1% over $200 million.
**Client contact:** Eleanor T.M. Hoaglund, vice president.

### Morgan Stanley Asset Management Inc.
*1633 Broadway, New York, N.Y. 10019; (212) 703-2658*

**Short-term funds:** $480,000,000
**Clients:** 7
**Investment style:** Each portfolio is customized to the client's objectives. Portfolios are managed on a continuous basis with active trading to add incremental after-tax returns when market opportunities exist.
**Instruments/strategies:** Government money market; foreign-denominated securities; taxable and tax-exempt commercial paper; municipal or other tax-exempt securities; dividend capture; straight-, adjustable- and auction-rate preferred stocks; interest rate futures/options.
**Fees:** Minimum fee is $100,000; minimum account size is $50 million.
**Client contacts:** Perry E. Hall II, principal; Gail Hunt Reeke, vice president.

### Robert H. Murray Partners
*800 W. 47th St., Kansas City, Mo. 64112; (816) 531-0801*

**Short-term funds:** $20,000,000
**Clients:** 10
**Investment style:** Depending on client's objectives, the firm uses fixed-income, tax-advantaged strategies.
**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime, not prime); bank loan participation agreements; municipal or other tax-exempt securities; straight-rate preferred stocks.
**Fees:** 35 basis points for first $2 million; 10 basis points thereafter.
**Client contact:** Charles C. Oliver Jr., marketing representative.

### Oppenheimer & Co.
*Oppenheimer Tower, World Financial Center, New York, N.Y. 10281; (212) 667-7342*

**Short-term funds:** $200,000,000
**Clients:** 100
**Investment style:** Dividend capture and other strategies that provide dividend yields.
**Instruments/strategies:** Dividend captures; straight-, adjustable- and auction-rate preferred stocks; common stocks; stock index futures/options; individual stock options; and interest rate futures/options.
**Client contact:** Robert Okin, senior vice president.

### Paramount Capital Group
*1 World Trade Center, Suite 1813, New York, N.Y. 10048; (212) 466-9400*

**Short-term funds:** $250,000,000
**Clients:** 30, including NCR; Consolidated Edison; Eagle-Picher.
**Investment style:** Paramount Capital runs a fully hedged, option-driven, dividend capture program with primary emphasis on buy-writing. Index option puts are used to limit market risk. The portfolio is turned over six or seven times annually to increase its effective dividend yield. The current targeted after-tax rate of return is 8% to 9%.
**Instruments/strategies:** Dividend capture; common stocks; stock index futures/options; and individual stock options.
**Fees:** 1% of assets.
**Client contact:** Geoffrey S. Bradshaw-Mack, vice president.

### Patriot Distributors Inc.
*211 Congress St., Boston, Mass. 02110; (617) 426-3310*

**Short-term funds:** $37,000,000
**Clients:** 12
**Investment style:** The firm runs Patriot Corporate Cash, an auction-rate preferred stock mutual fund.
**Client contact:** Walter Cabot, president.

### Patterson Capital Corp.
*2029 Century Park East, Suite 1540, Los Angeles, Calif. 90067; (213) 556-2496*

**Short-term funds:** $255,000,000
**Clients:** 5, including Southern California RTD; American Medical Association; Hagga
**Investment style:** Patterson Capital emphasizes preservation of purchasing power through active management of limited maturity fixed-income portfolios. Portfolio management follows client-formulated guidelines.
**Instruments/strategies:** Government money market; taxable commercial paper (prime, Euro-commercial); tax-exempt commercial paper; municipal or other tax-exempt securities; stock index futures/options; interest rate futures/options.
**Fees:** 0.2% on the first $50 million; 0.15% on the next $50 million; 0.1% thereafter.
**Client contact:** Paul Cheves, vice president.

### Payden & Rygel
*333 S. Grand Ave., Suite 3250, Los Angeles, Calif. 90071; (213) 625-1900*

**Short-term funds:** $1,300,000,000
**Clients:** 22
**Investment style:** The firm undertakes high-quality, high-liquidity, active management. The emphasis is on selling prior to maturity to improve investment return.
**Instruments/strategies:** Government money market; taxable commercial paper (prime); municipal or other tax-exempt securities.
**Fees:** 20 basis points on the first $50 million; 17.5 basis points on the next $50 million; 12.5 basis points on the next $50 million; 10 basis points on the next $50 million. The minimum annual fee is $50,000.
**Client contact:** Jack Reynolds, vice president.

### Pilgrim Management Corp.
*10100 Santa Monica Blvd., Los Angeles, Calif. 90067; (213) 551-0833*

**Short-term funds:** $894,000,000
**Clients:** 5,000
**Investment style:** The firm manages three mutual funds: Pilgrim Corporate Cash, using auction-rate preferred stocks; Pilgrim Adjustable Rate Preferred Fund; and Pilgrim Preferred Fund.
**Instruments/strategies:** Straight-, adjustable- and auction-rate preferred stocks.
**Fees:** The Pilgrim Adjustable Rate Fund and the Pilgrim Preferred Fund have loads. Fees range from 0.35% to 0.65%, depending on the fund.
**Client contact:** Bob Borusiewicz, portfolio manager.

### Prescott, Ball & Turben
*1 World Trade Center, New York, N.Y. 10048; (800) 221-4094*

**Short-term funds:** $300,000,000
**Clients:** 25
**Investment style:** Conservative and value-oriented.
**Instruments/strategies:** Government money market; taxable commercial paper (prime, not prime/unrated); tax-exempt commercial paper; bank loan participation agreements; municipal or other tax-exempt securities; dividend capture; adjustable- and auction-rate preferred stocks; interest rate futures/options.
**Client contact:** John Manning, vice president-marketing.

### Prudential Bache Investment Advisory Service
*199 Water St., New York, N.Y. 10038; (212) 214-6478*

**Short-term funds:** $600,000,000
**Clients:** 40, including Bic and International Hydron
**Investment style:** The firm is an active manager.
**Instruments purchased:** Government money market; foreign-denominated securities; taxable commercial paper (prime); bank loan participation agreements; municipal or other tax-exempt securities; auction-rate preferred stocks; interest rate futures/options.
**Fees:** 30 basis points on first $30 million; 25 basis points on remainder.
**Client contact:** Margaret Kelleher, vice president and manager.

### The Putnam Cos.
*1 Post Office Square, Boston, Mass. 02109; (617) 292-1200*

**Short-term funds:** $1,100,000,000
**Clients:** 6 separate accounts, two mutual funds.
**Investment style:** The firm invests at least 80% of its assets in relatively high-yielding common and preferred stocks, including investment-grade adjustable-rate preferred stocks. Ordinarily, options will be written on the common stocks to improve return and increase their stability. Common stocks on which options are not written basically will be utility common stocks, which are used to increase the qualifying portion of the income stream. They also may be bought as part of a dividend capture program.
**Instruments/strategies:** Dividend capture; adjustable- and auction-rate preferred stocks; common stocks; individual stock options.
**Fees:** 0.75% on the first $20 million; 0.5% on the next $20 million; 0.375% on the next $20 million.
**Client contact:** George H. Pendergast, senior vice president-institutional marketing.

### Rampart Investment Management Co. Inc.
*Exchange Place, Suite 2800, Boston, Mass. 02109; (617) 742-7400*

**Short-term funds:** $200,000,000
**Clients:** 14
**Investment style:** The firm invests in a diversified portfolio of high-quality common stocks hedged with in-the-money call options. No more than 3% is invested in any one issuer. Market index puts are purchased for market protection.
**Instruments/strategies:** Dividend capture; common stocks; stock index futures/options; individual stock options.
**Fees:** 1.5% on first $10 million; 1.25% on the next $20 million; 1% over $30 million.
**Client contact:** R. Ronald Guerriero, senior vice president.

### Ross Capital Corp.
*485 Madison Ave., New York, N.Y. 10022; (212) 308-9860*

**Short-term funds:** $350,000,000
**Clients:** 20
**Investment style:** Ross Capital uses a dividend capture strategy designed to minimize portfolio volatility and maintain liquidity, while providing after-tax returns of 1.8 to 2.5 times the after-tax, 90-day CD rate. The typical portfolio contains approximately 35 high-yielding, investment-grade common stocks with in-the-money call options written against the shares. Market index put options are purchased to provide additional portfolio protection.
**Instruments/strategies:** Dividend capture; common stocks; stock index options; individual stock options.
**Client contact:** Pamela Clement, executive vice president.

### M.D. Sass
*1133 Avenue of the Americas, New York, N.Y. 10036; (212) 730-2000*

**Short-term funds:** $275,000,000
**Clients:** 13
**Investment style:** The firm manages secondary reserve portfolios through its Protected Dividend Income Program. This strategy consists of a diversified equity portfolio; the purchase of dividend paying common stocks; the sale of qualified covered call options against the stocks to earn premium income and to reduce the risk of price declines. The entire portfolio is then hedged through the purchase of index puts or the sale of index calls. The objective is to earn an after-tax rate of return that is equal to the pre-tax return on Treasury bills.
**Instruments/strategies:** Taxable commercial paper; municipal or other tax-exempt securities; dividend capture; auction-rate preferred stocks; common stocks; stock index futures/options; individual stock options.
**Fees:** For equity and balanced accounts: the greater of $100,000 or 1% of the first $10 million; 0.75% of the next $10 million; 0.5% of the remainder. For fixed-income accounts: the greater of $50,000 or 0.5% of the net assets.
**Client contact:** Thomas J. Mackell Jr., senior vice president.

### Schroder Capital Management International
*1 State St., New York, N.Y. 10004; (212) 269-6500*

**Short-term funds:** $200,000,000
**Clients:** 8
**Investment style:** Schroder Capital actively manages portfolios in the context of tight investment guidelines geared toward the preservation of principal, the maintenance of liquidity and the maximization of after-tax return.
**Instruments/strategies:** Government money market; foreign-denominated securities; taxable commercial paper (prime); tax-exempt commercial paper; municipal or other tax-exempt securities; and auction-rate preferred stocks.
**Client contact:** John J. Mahar, first vice president.

### Scudder, Stevens & Clark
*345 Park Ave., New York, N.Y. 10154; (212) 326-6515*

**Short-term funds:** $2,100,000,000
**Clients:** 36
**Investment style:** Scudder Stevens & Clark Ltd. actively manages short-term portfolios to achieve excess returns over a buy-and-hold strategy. Market sectors and maturities are shifted according to the firm's assessment of the yield curve and sector spreads. A proprietary opportunity/risk analysis is at the core of this approach.
**Instruments/strategies:** All money market instruments; taxable, tax-exempt and tax-preferenced as well as securitized instruments and options and futures.
**Client contact:** Richard R. Daniels, vice president-investments.

### The Alan G. Seidner Co.
*201 S. Lake Ave., Suite 705, Pasadena, Calif. 91101; (818) 795-2251*

**Short-term funds:** $250,000,000
**Clients:** 35, including R&B; Bixby Ranch; Presbyterian Intercommunity Hospital.
**Investment style:** The firm, a fixed-income manager, seeks the best relative values based on yield spread and yield curve analysis.
**Instruments/strategies:** Government money market; taxable commercial paper (prime, Euro-commercial); tax-exempt commercial paper; bank loan participation agreements; municipal or other tax-exempt securities; adjustable- and auction-rate preferred stocks.
**Fees:** For Money Market Portfolio, with an average weighted maturity under one year: 0.15% on the first $25 million; 0.125% on the next $25 million; and 0.1% thereafter. For Fixed-Income Portfolio: 0.4% on the first $10 million; 0.35% on the next $40 million; 0.3% on the next $50 million; and 0.25% over $100 million.
**Client contact:** Alan G. Seidner, president.

### Twenty-First Securities
*805 Third Ave., New York, N.Y. 10022; (212) 308-4626*

**Short-term funds:** $500,000,000
**Clients:** 75
**Investment style:** Dividend capture and pure arbitrage.
**Instruments/strategies:** Dividend capture; common stocks with options only; stock index futures/options; individual stock options; shorting stocks.
**Fees:** Commissions only.
**Client contact:** Robert Gordon, president.

### The Vanguard Group of Investment Companies
*1200 Morris Drive, Wayne, Pa. 19087; (215) 648-6023*

**Short-term funds:** $618,000,000
**Clients:** 658
**Investment style:** Clients decide among a range of mutual funds.
**Instruments/strategies:** Government money market; taxable and tax-exempt commercial paper; municipal or other tax-exempt securities; straight-, adjustable- and auction-rate preferred stocks; common stocks.
**Fees:** The firm is a no-load mutual fund company. Average expense ratios are about 0.4%.
**Client contact:** Ronald L. Cannon, vice president.

### Webster Management/Kidder Peabody & Co. Inc.
*20 Exchange Place, New York, N.Y. 10005; (212) 510-5039*

**Short-term funds:** $635,000,000
**Clients:** 22, including Fleetwood Enterprises; Heritage Communications; Reebok.
**Investment style:** Strategies emphasize consistency of total return, avoidance of unnecessary credit exposure, interest rate forecasting and a disciplined analysis of yield curve slopes and sector spreads to determine optimal maturity choices. Return enhancement strategies include dividend capture programs, index arbitrage and hedged fixed-income portfolios. Service is customized, and special-purpose money market mutual funds are available.
**Instruments/strategies:** Government money market; taxable commercial paper (prime); tax-exempt commercial paper; municipal or other tax-exempt securities; dividend capture; straight-, adjustable- and auction-rate preferred stocks; common stocks; stock index futures/options; individual stock options; interest rate futures/options.
**Fees:** Vary according to assets managed and strategies used.
**Client contact:** Richard D. Shaffer, vice president.

### Weiss Asset Management
*1 State St., Hartford, Conn. 06103; (203) 247-5161*

**Investment style:** Dividend capture.
**Client contact:** Kevin Bradley, partner.

### Wertheim Asset Management
*230 Park Ave., New York, N.Y. 10169; (212) 370-6140*

**Short-term funds:** $33,000,000
**Clients:** 3
**Investment style:** The approach emphasizes total return through active management. The primary strategy is interest rate anticipation, followed by sector selection. Use of standard cash equivalents is combined with creative and new vehicles to enhance returns.
**Instruments/strategies:** Government money market; taxable commercial paper (prime); tax-exempt commercial paper; municipal or other tax-exempt securities; straight-, adjustable- and auction-rate preferred stocks.
**Fees:** 0.25%.
**Client contact:** Steven W. Golann, senior vice president.

### Wharton Asset Management
*595 Madison Ave., New York, N.Y. 10022; (212) 888-7680*

**Short-term funds:** $175,000,000
**Clients:** 22
**Investment style:** Wharton Asset Management invests in a diversified portfolio of utility common stocks and preferred stocks. Futures and options are used to hedge adverse moves in the stock market and rises in interest rates. Capital gains are generated through deep-in-the-money buy/writes, spreads and synthetics.
**Instruments/strategies:** Dividend capture; straight-rate preferred stocks; common stocks; stock index futures/options; individual stock options; interest rate futures/options; shorting stocks.
**Fees:** Based on assets under management.
**Client contact:** Arnold L. Mintz, executive vice president.

## Treasury Workstations

### ADS Associates Inc.
*23586 Calabasas Road, Suite 200, Calabasas, Calif. 91302; (818) 347-9100*

**Contact:** Barry T. Bolger, vice president-marketing
**Applications and clients:**
**Investment/debt:** 180
**Balance reporting:** 200
**Funds transfer — ACH, wire:** 200
**General ledger:** 180
**Worksheet:** 100
**Reconciliation:** 160

The cost of the system is $10,000, which includes all packages except the general ledger interface which is $4,200. The annual maintenance fee is 12% of the total system cost. The workstation was developed in-house.

### Bank of America
*P.O. Box 37000, Dept. 5529, San Francisco, Calif. 94137; (415) 624-2847*

**Contact:** Abdul Premji, vice president
**Applications and clients:**
**Investment/debt:** 67
**Balance reporting:** 375
**Funds transfer — ACH, wire:** 22
**General ledger:** 20
**Worksheet:** 212
**Reconciliation:** 40
**Foreign exchange:** 7

The prices for the applications ranges from $1,500 to $17,500 each. The annual maintenance fee is 1.5% of the software fee. The workstation was developed in-house and by ADS Associates and Swallow business.

### Byad Inc.
*85 W. Algonquin Road, Arlington Heights, Ill. 60005; (312) 228-3400*

**Contact:** Jeff Fischer, president
**Applications and clients:**
**Investment/debt:** 5
**Balance reporting:** 40
**Funds transfer — ACH, wire:** 20
**General ledger:** 15
**Worksheet:** 40
**Reconciliation:** 15

The price for each application ranges from $3,400 to $6,000. The workstation was developed in-house.

### Chemical Bank Financial Services Division
*380 Madison Ave., 13th Floor, New York, N.Y. 10017; (212) 309-5741*

**Contact:** Alphonse J. Briand Jr., vice president-micro products manager
**Applications:**
**Investment/debt**
**Balance reporting**
**Funds transfer — ACH, wire**
**Trade services**
**General ledger**
**Worksheet**
**Commercial paper issuance**

Prices will be quoted upon inquiry. The annual maintenance fees are 1.5% of the software price. The workstation was developed by ICM.

### First Interstate Bank
*P.O. Box 53456, Phoenix, Ariz. 85702-3456; (602) 271-1297*

**Contact:** Kathy Morris, assistant vice president, or Barbara Stemm, technical support representative.
**Applications and clients:**
**Investment/debt:** 24
**Balance reporting;** 30
**Funds transfer — ACH, wire:** 16
**General ledger:** 10
**Worksheet:** 30
**Reconciliation:** 15

The price for each application ranges from $450 to $1,800. The basic package, which includes cash and banking, debt, investment and bank relationship, costs $3,000. The cost of annual maintenance depends on the customer's package. The workstation was developed by ADS.

### First Tennessee Bank
*165 Madison Ave., Memphis, Tenn. 38103; (901, 523-4773*

**Contact:** Philip Brooks, corporate products officer
**Applications and clients:**
**Investment/debt:** 1
**Balance reporting:** 1
**Funds transfer — ACH, wire:** 1
**Worksheet:** 1
**Lotus 1-2-3 interface:** 1

The investment/debt package is priced at $2,500. The automated treasurer core modules are part of the basic balance reporting package, priced at $4,500. The annual maintenance is $300. The workstation was developed by Chase Access Services.

### Florida National Bank
*225 Water St., Jacksonville, Fla. 32201; (904) 359-5042*

**Contact:** J. Stewart Baker, senior vice president.

Florida MicroLink has three applications — balance reporting, funds transfer instructions and general ledger interface — that are installed as a package; it is non-modular. Corporations are charged based on transactions generated. Forty corporations use the workstations. Annual maintenance fees range between $120 and $450. The workstation was developed by Chemical Technologies.

### Harris Trust and Savings Bank
*111 W. Monroe, P.O. Box 755, Chicago, Ill. 60690; (312) 461-7162*

**Contact:** William C. Brodt, corporate services officer
**Applications and clients:**
**Investment/debt:** 9
**Balance reporting:** 15
**Funds transfer — ACH, wire:** 9
**Worksheet:** 13
**Bank relationship manager:** 16

The price for each application ranges from $1,000 to $5,000 each. The annual maintenance fees are $4,530. The workstation was developed by ICM.

### ICMS/Wills-Van den Bergh
*1150 Bayhill Drive, San Bruno, Calif. 94066; (415) 583-7909*

**Contact:** Pat Wall, director of sales
**Applications and clients:**
**Investment/debt:** 19
**Balance reporting:** 29
**Funds transfer — ACH, wire:** 5
**Trade services:** 4
**General ledger:** 6
**Worksheet:** 19
**Reconciliation:** 16
**Cash accounting:** 19
**Forecast:** 11
**Cashflow budget:** 4
**Foreign exchange:** 6
**Bank relationship:** 10

The price for each application ranges from $1,000 to $7,000. Mainframe and micro versions are available. Mainframe prices are $250,000 for a global system. The annual maintenance fees are 24% of total cost of the modules. The workstation was developed in-house.

Since PNB Wrapped Up American Packaging's Management Buyout, Things Are Really Popping.

When a recent change in ownership at American Packaging required a management buyout, it was no surprise that Philadelphia National Bank's name popped up.

As a top manufacturer of flexible packaging, small bags and cartons, American Packaging was well aware of PNB's financial abilities. They'd had a strong working relationship with PNB for more than twenty years. As Stan Schottland, CEO of American Packaging put it, "Who would know our business better than our own bank?"

So PNB, working with its subsidiary, Philadelphia Capital Advisors, organized a syndicate to finance the management buyout.

It came off beautifully. Since PNB required no warrants, there was no dilution of equity. As a result, business at American Packaging is really heating up. "Best of all," said Schottland, "is PNB's continued help in our expansion."

This kind of strong, close relationship between client and bank is nothing new at The CoreStates Banks – Philadelphia National, Hamilton and New Jersey National. It's what has made us one of the nation's leaders in commercial banking.

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National Bank
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## Directory

**Manufacturers Hanover Trust**
*140 E. 45th St., New York, N.Y. 10017; (212) 808-0292*

**Contact:** George Chelius, vice president, sales.
**Business Manager workstation**
**Applications and clients:**
**Balance reporting:** 170
**Funds transfer — ACH, wire:** 50
**Trade services:** 25
**Worksheet:** 20
**Reconciliation:** 5

Investment/debt and general ledger interface modules are planned. The workstation was developed in-house.

**Interplex Financial Management**
**Source workstation**
**Applications and clients:**
**Investment/debt:** 104
**Balance reporting:** 126
**Funds transfer — ACH, wire:** 97
**Worksheet:** 120
**Reconciliation:** 50
**Cash ledger:** 58
**Bank relationship:** 35

The price for each application ranges from $500 to $12,000. Users can customize their own general ledger interface. The maintenance fees are 15% annually. The workstation was developed by ADS.

**PNC Financial Corp.**
*Fifth & Wood Streets, Pittsburgh, Pa. 15265; (412) 355-5095, (215) 585-6614*

**Contact:** Susan Sherrod or Charles Huffman, vice presidents.
**Applications and clients:**
**Investment:** 5
**Debt:** 6
**Balance reporting:** 12
**Funds transfer — ACH, wire:** 8
**General ledger:** 3
**User defined reporting/Lotus:** 12
**Pending module:** 7

The price range of the application modules ranges from $900 to $20,000 each. The investment and debt modules are sold separately; the worksheet module is included with balanced reporting. The annual maintenance fees are 2% of the license fee per month. The workstation was developed by ADS Associates Inc.

**Software Systems Group**
*15200 Shady Grove Road, Rockville, Md. 20850; (301) 330-2300*

**Contact:** John N. Gonzalez, president.

The firm offers MicroCTS Levels 1 and 2. Encompassed in either product are investment/debt, balance reporting, funds transfer instructions, worksheet, Sig tracking/bank relationship, text and graphics. Both products are bundled. Level 1 is priced at $4,000 with 40 users; Level 2 is priced at $8,000 with 110 users. Annual maintenance fees are 15% of the purchase price. The workstation was developed in-house.

**Southeast Bank**
*1 Southeast Financial Center, Miami, Fla. 33131; (305) 375-6687*

**Contact:** Lee Madden, assistant vice president
**Applications and clients:**
**Investment/debt:** 4
**Balance reporting:** 9
**Funds transfer — ACH, wire:** 3
**General ledger:** 2
**Worksheet:** 5

The prices for the modules range from $1,000 to $5,000; annual maintenance fees range from $120 to $900. The workstation was developed by BankLink.

**United Missouri Bank of Kansas City**
*P.O. Box 226, Kansas City, Mo. 64141; (816) 556-7000*

**Contact:** Michael Porter, vice president
**Applications and clients:**
**Balance reporting:** 5
**Funds transfer — ACH, wire** 5
**Worksheet:** 5
**Reconciliation:** 5

The price for the package is $4,000. The maintenance fee is $500. The workstation was developed ADP.

**Wells Fargo Bank**
*595 Market St., 15th floor, San Francisco, Calif. 94163; (415) 396-7777*

**Contact:** David Kurrasch, vice president and national sales manager.

The MicroExpress is offered with various worksheets, data base programs and balance reporting services. There are 75 corporations that use the package, which costs $4,500. The annual maintenance fee is $50 per hour as needed. The workstation was developed in-house.

The Cash Pro® family of cash management services now includes an important new product. It's our CashPro Treasury System: a microcomputer based system that goes further than other systems in recognizing the fact that every customer's needs are different.

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# Fewer pass exam given by NCCMA

**By Barry B. Burr**

NEWTOWN, Conn. — A sharp drop by corporate and government cash management practitioners led a general decline in the number of people who passed this year's certified cash manager examination.

Compared to last year, 41% fewer corporate and government practitioners in cash management passed the National Corporate Cash Management Association-sponsored exam.

Including bankers and professionals in other fields, the total number of people passing the test this year was down in absolute numbers and in percentage figures from last year.

In all, 67%, or 916, of the 1,365 people who took the examination this year passed.

Last year, 73%, or 953, of the 1,312 people who took the examination passed. (Last year's figures include 14 people who helped prepare the test and were "grandfathered" in and awarded certificates.)

Broken down by groups of those who passed the test this year, 373 work for corporations or government, 523 for banks and 20 for academia, consultants or financial service vendors.

By comparison last year, 628 who passed worked for corporations or government, 299 for banks and 26 for academia, consultants, or financial service vendors.

The NCCMA, which supplied the aggregate results, had no breakdown of how many candidates in each professional group took the exam. Figures separating the corporate and government group were also unavailable.

Martin Decere, treasurer of Raymark Corp., Trumbull, Conn., and chairman of the NCCMA's certification council, denied the results indicated corporate and government practitioners were losing interest in the certification program.

"We're pleased with the exams," he said. "I don't think it's relevant to look at different groups.

"The test was no more or no less hard than last year," said Susan Olenick, program director at Educational Testing Service Inc., Princeton, N.J., which administered the exam both years.

Ms. Olenick said the testing service and the NCCMA expected the pass rate to be lower this year.

"You would expect the cream of the crop — people most confident in their abilities — to come out the first year," she added.

The certification program is an effort by the NCCMA to promote professionalism in cash management. A person with two years' cash management experience qualifies for a CCM credential by passing the exam. ■

# Services not . . .

*Continued from page CM1*
next-day funding of controlled disbursement. Only National Bank of Detroit offers foreign exchange trading and international wire transfers.

Among other organizations, the directory shows more non-banking companies offering retail lockboxes and remittance processing. (Retail remittance processing refers to large-volume, low dollar-value receipts, mainly received from individual consumers; wholesale remittance processing refers to low volume, high dollar-value receipts, mainly from corporate customers.)

The newest entries are: EDS Remittance Processing Services, a Livonia, Mich.-based operation of Electronic Data Systems Corp., Dallas, a unit of General Motors Corp.; and Nationwide Remittance Centers Inc., McLean, Va.

Both began offering services this year, not including EDS's own contracts with two GM units, Motors Insurance Corp. and General Motors Acceptance Corp.

Longer established non-bank remittance processors profiled are J.C. Penney Credit Services Inc., Dallas, a unit of J.C. Penney Co.; and National Processing Co., a unit of First Kentucky National Corp., a Louisville, Ky.-based holding company and parent of First National Bank of Louisville.

Banks still dominate retail lockboxes. The directory lists 91 U.S. banks and three Canadian banks offering the service.

But even more banks provide wholesale lockboxes: 114 in the United States and four in Canada.

One of the newest services is electronic funds transfer and electronic data interchange.

EDI Group Ltd., Oak Park, Ill., was started this year by Daniel M. Ferguson, president, and Ned C. Hill, vice president. Mr. Ferguson left his position as vice president at First National Bank of Chicago. Mr. Hill, who is leaving as associate professor of finance at Indiana University, Bloomington, to accept the Joel C. Peterson chair of finance at Brigham Young University, will continue to teach.

Though several more companies offer it as part of a host of cash management services, White Papers Inc., Montclair, N.J., and Electronic Cash Management Inc., Marietta, Ga., also specialize exclusively in EFT/EDI consulting.

The investment managers profiled run $25.1 billion in taxable corporate treasury cash, which excludes employee benefit assets.

The largest managers, ranked by corporate assets, are: Chemical Bank with $2.8 billion; Scudder Stevens & Clark Ltd., $2.1 billion; Brown Brothers Harriman & Co., $1.6 billion; BA Investment Management Corp., $1.5 billion; Citicorp Investment Management Inc. and Payden & Rygel, $1.3 billion each; J.P. Morgan Investment Management Inc. and Putnam Cos., $1.1 billion each; Flaherty & Crumrine Inc., $1 billion; and Aetna Capital Management Inc., $966 million.

The directory lists 23 managers that offer a dividend capture strategy, including 14 that specialize in it, and another 21 that offer strategies involving common stocks or preferred stocks, including adjustable rate and auction rate.

Many managers offer money-market and fixed-income strategies, including tax-advantaged investments, such as municipal securities.

The treasury workstation organizations have 1,008 corporate clients using the systems, according to the directory.

The workstations allow corporations to monitor such functions as banking data, using a personal computer and related software.

A growing applications package or module is the general ledger interface. It allows a corporate user to update the general ledgers daily with the other information gathered by the workstation, saving the need to rekey data.

The directory lists nine of the 15 treasury workstation organizations with such a general ledger interface, including two that began offering it this year — Chemical Bank Financial Services Division, New York, and Florida National Bank.

One organization excluded from the total, Manufacturers Hanover Trust Co., New York, is plans to offer it.

The largest workstation providers, ranked by number of corporate clients, are: Bank of America with 212; ADS Associates Inc., 200; Manufacturers Hanover Trust, 170; Software Systems Group Inc., 170; Wells Fargo Bank, 150; BYAD Inc., 50; Florida National Bank, 40; ICMS/Wills-Van den Bergh Inc., 33; First Interstate Bank of Arizona, 30; and Harris Trust & Savings Bank, 21.

Among cash management services offered by banks, the directory lists 59 with lockbox networks, 99 with electronic transmission capability of lockbox receipt information and 46 with Saturday and Sunday processing and clearing.

It also lists 112 banks with controlled disbursement, 75 with controlled disbursement reports by 10.30 a.m. Eastern time and 49 with next-day funding of controlled disbursements. ■

# Banks . . .

*Continued from page CM1*
effort to standardize the account analysis," he said. "But nobody has guts enough to tell them that."

At Fifth Third Bank, Cincinnati, James L. Doepker, treasury department supervisor, said banks will shift to standardized account analysis statements when their largest customers demand such services.

"You get peer pressure and you get customer pressure," he said. "Banks will agree to anything a customer needs, within reason." He doesn't expect the NCCMA's final version of the standard to be ready for the bank to offer on a requested and manual basis until 1988.

Treasury executives and bankers agree unwillingness to provide account analysis statements in a standardized form probably wouldn't cause a corporation to end its relationship with a bank, but it could hurt chances for adding clients.

"It could be the tiebreaker, everything else being equal," said Tom McKechney, vice president at Continental Illinois National Bank & Trust Co., Chicago.

George Markole, senior vice president, Branch Banking & Trust Co., Raleigh, N.C., predicted at least a 12-month lag between the release of the prototype and when the first banks implement it.

The transition hinges upon how quickly banks and their bank accounting software suppliers can reformat account analysis statements.

Changing systems will be expensive for most banks, said Mr. McKechney. "Account analysis is a very large, complicated system that must be interfaced from various departments," he said.

Bank cash managers expect problems with reformatting the statement to conform to the NCCMA standard and changing the procedure for making retroactive adjustments to statements from previous months.

Banks using modular systems, or systems that tie together several specific software packages, will have to wait for software vendors to design products that will conform to the NCCMA standard.

The majority of banks use non-modular systems based on complex computer programs that would be expensive and difficult to reprogram, said Joe Kaski, public relations coordinator at Hogan Systems Inc., Dallas, a bank accounting software company. The system would have to reprogrammed so all facets of the bank's account analysis system generate data in accordance with the NCCMA standard.

Neither banks nor software vendors would disclose prices for incorporating account analysis products under modular and non-modular systems.

Steven McQuarry, division executive of Bank of Boston, said its account analysis system is designed by California-based Software Alliance, which he said has been "more aggressive" than other software vendors in redesigning products to conform to the NCCMA prototype. He expects Software Alliance to have its new products ready within six months after the NCCMA's prototype becomes official.

Hogan, which serves about 100 of the 500 largest banks, has the simplest system to revise and is the most flexible software for large banks, said Charlotte Walker, senior vice president, at L.F. Rothschild & Co., New York.

UCCEL, Dallas, is the largest supplier of cash management software for banks, Ms. Walker said, serving mostly small and mid-size banks.

"Our goal is to keep (software companies) abreast of the standards, making sure the standards can be incorporated into their software, so they'll be ready to go," said Chuck Rollins, assistant treasurer, Georgia Power Co., Atlanta, and a member of the NCCMA Standards Committee.

Without waiting for the NCCMA standard, corporations have developed or have bought software packages to evaluate their account analysis statements, essentially customizing their own standard formats.

Treasury Strategies Inc., Chicago, and Phoenix-Hecht, Northfield, Ill., sell account analysis evaluation software.

Richard J. Poje, Treasury Strategies principal, said he welcomes the NCCMA standard.

"I know how difficult those things are to understand," he said of the monthly bank statements.

Despite the delays in reaching a final version of the standard, he said the NCCMA should be credited for taking the time to "touch all the bases."

Mr. Poje said Treasury Strategies runs across a surprising number of account statement errors.

"The balances are usually right, but there are many transposition errors and data errors," often with regard to wire transfers, he said.

Banks have been hesitant to adopt uniform account analysis statements because they tend to give highest priority to "products and services tied to the revenue stream," while the statements would "neither cut costs nor generate revenues," Continental's Mr. McKechney said.

Costs vary tremendously among banks, said Albert Hill, senior vice president of Connecticut Bank & Trust Co., Hartford, Conn., which, according to Mr. Hill, will be among the first to offer statements in standardized form.

Other banks like Continental and Bank of Boston had been planning to redesign their outdated account analysis systems; the NCCMA "gave us the push we needed," Mr. McKechney said.

Some cash managers are looking beyond the NCCMA account analysis standard to an electronic transmission standard. Having the data already keyed in computer form will make it easier to evaluate than having to compare paper statements. They contend standardized account analysis statements won't be widely available until they're transmitted electronically from banks to corporate treasury departments.

"It (would be) easier for the simple fact you no longer have paper," said Fifth Third's Mr. Doepker. "The less human involvement the better." ■

# Trust . . .

*Continued from page CM1*
America, Dallas, estimates 90% of issuers with programs of $750 million or more already are using book-entry systems, though only to some extent; all still issue the majority of the short-term debt in paper form.

Some significant hurdles — such as the legal issue of ownership transfer, a lack of a standard depository system and investor reluctance to forgo possession of a physical note — impede a more widespread usage of book-entry commercial paper, observers said.

Despite those obstacles, some executives believe the domestic commercial paper market can be completely converted to a book-entry system within three years.

"When the enthusiasm gets there and the cost justification evolves, everyone is going to jump on the bandwagon," said Ms. Lord.

"About $500 million (in commercial paper outstanding) is a good breaking point for a company to go direct and manage the portfolio themselves, rather than giving it to a broker to manage.

"At that point and moving upward, you really have to put a pencil to it and start examining the advantages of going book entry," she said. As of June 30, Associates Corp., a unit of New York-based Gulf & Western Industries Inc., had about $3.6 billion in commercial paper outstanding, of which about 10% was book entry.

The book-entry concept has been used for other types of securities for a number of years, but book-entry commercial paper did not really begin until 1983, said David Ehlers, manager of U.S. borrowing at General Motors Acceptance Corp., Detroit.

GMAC, which began using book-entry commercial paper in 1983, had about $31 billion outstanding as of June 30, of which 40% was book entry. Mr. Ehlers said he hopes to increase the amount of book-entry paper to 55% of total outstandings by year end and to between 90% and 95% within three years.

Most of the progress made thus far with book-entry commercial paper has been among the direct issuers of commercial paper, companies that sell the short-term promissory note themselves, not through dealers.

"It's a volume-driven thing," said David Robison, vice president and treasurer of Chrysler Financial Corp., Troy, Mich.

"It'd be more expensive to set up the computer system if you didn't have the volume to support it," he said. As of June 30, Chrysler Financial, a direct issuer, had about $8 billion in commercial paper outstanding, of which 30% was book entry.

With a book-entry system, the commercial paper issuer doesn't need to print certificates or transfer the paper forms to buyers. A detailed electronic description of the transaction is sent through the issuing agent's bank to the investor's custodian.

Daniel F. Benton, vice president and manager at Salomon Brothers Inc., New York, said the opportunities for cost savings are many. "It costs a couple thousand dollars to print the notes, then you have to keep them some place. You also have to pay to have the physical notes delivered," he said.

Mr. Benton estimated book-entry commercial paper could shave between three and five basis points from the total cost of a transaction.

Mr. Ehlers noted the administrative benefits: "We realized an awful lot of economies and efficiencies in the back-room" operations, he said. He said book entry eliminated the need to keep records on mature notes that were never presented for payment. "Under book entry, when the notes become due upon maturity, we wire the money to them," he said. "You don't have notes not presented."

Brace Young, vice president at Goldman, Sachs & Co., New York, is chairman of a subcommittee of the Public Securities Association, Washington, exploring ways to promote book-entry commercial paper.

Among the obstacles, he said, is "a legal issue of when ownership is transferred."

Another problem, said Salomon's Mr. Benton, is the lack of a central depository for the electronic transactions. Serving as custodian for the physical notes has been a lucrative business, and "you're talking about impacting some major revenue streams of the banks," he said.

Not all banks are opposed to book-entry commercial paper.

Midwest Securities Trust Co., Chicago, has developed the Short Term Instruments Clearing System that basically serves as a log for book-entry commercial paper transactions.

Pamela Zielezinski, product manager for commercial paper at Midwest Securities, said five Chicago banks and 15 issuers, including GMAC, are on the system, which will be offered nationally.

The system, operating since Jan. 1, 1986, charges a $100 monthly participation fee, a $50 monthly account maintenance fee and $2 per transaction.

Ms. Zielezinski also said executives at Midwest Securities are working on being able to net book-entry transactions on the system. Each customer then would receive or send one wire transfer to Midwest Securities to settle all of its payments.

"It could clean up a lot of the end-of-the-day crunch and rush to get wires out," she said.

"We need the same type of network in New York City. We need the same type of system on the West Coast," commented Associates' Ms. Lord.

Besides the technical issues, proponents of book-entry commercial paper also must overcome the reluctance by some investors to give up possession of a physical note. "They have covenants in some of their (investment) agreements referring to the holding of physical notes," said GMAC's Mr. Ehlers.

Some of the executives said gaining the confidence of investors could be a big breakthrough.

"If you talk to the issuers, they'd love to do it," Mr. Benton said. "If you talk to the dealers, they'd love to do it. But if you talk to the buyers, some of them will say, 'Gee, I need to have delivery of physical notes.'" ■

8/26/87 C2710-2


# Pensions & Investment Age



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# IRS recalls GM plan ruling

By Nicky Robertshaw

WASHINGTON — The Internal Revenue Service is reconsidering the tax-exempt status of the more than $11 billion General Motors Corp. salaried retirement program after complaints GM illegally cut back some employees' early retirement benefits.

The problem stems from the transfer to Electronic Data Systems Corp. of some GM employees following GM's 1984 takeover of the Dallas firm. The transferred employees became participants in the EDS pension plan. Under the terms of the EDS plan, employees do not become eligible for early retirement as quickly as they would under the GM plan.

In an Aug. 5 letter, IRS officials said GM no longer can depend on a March 1986 favorable determination letter on its salaried plan, because the letter might have been issued in error.

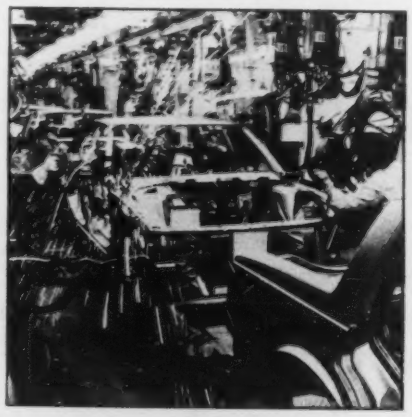
The letter was issued after GM directors amended the salaried plan to exclude employees of any subsidiary acquired after March 1, 1984, from participation in the plan, including the credited service portion. The amendment was approved Oct. 3, 1984, after the directors agreed to merge with EDS. The merger was completed two weeks later.

A favorable determination letter informs an employer the IRS believes the plan meets qualifications for tax-exempt status. Although employers are not required to obtain such a letter, virtually all do, and the letter remains in effect until the plan experiences substantive amendments, in which case the company must reapply.

The IRS officials said the determination process for the plan is being reopened and, in the meantime, GM would have a chance "to amend the plan or otherwise resolve any of the issues raised without jeopardizing the continued qualified status of the plan."

A GM spokeswoman said the company is "cooperating fully" with the IRS. Although company executives don't believe the agency will find any reason to drop the fund's tax-exempt status, it will address any problems the IRS might find, she said.

The IRS reviewed GM's determination status after being notified by Sen. Carl Levin, D-Mich., of complaints from GM employees, according to an aide for the senator.



*The IRS is reviewing a GM retirement plan because of amendments made by the automaker's directors.*

Among the issues the IRS is re-examining is a possible violation of section 411(d)(6) of the Internal Revenue Code that deals with determining eligibility for a subsidized early retirement benefit. This provision forbids employers from decreasing an employee's accrued benefits; it was amended by the Retirement Equity Act of 1984 to prevent reduction or elimination of early retirement benefits as well.

The retirement act is effective for any plan amendments made after July 30, 1984.

At issue are the early retirement benefits for some 7,000 GM data processing employees who were transferred to EDS and, in the process, were switched to EDS' defined benefit plan.

The GM plan has a 30-and-out provision, which gave an employee an early retirement option after 30 years of service regardless of age. The EDS plan sets age 55 as the requirement for early retirement.

Two of the transferred employees, who would have reached the 30-year mark this year, sued GM in 1984, claiming they were entitled to remain eligible for the 30-and-out program.

In responding to the charges, GM pointed to the Oct. 3, 1984, amendment.

U.S. District Court in Flint, Mich., ruled in favor of GM. The decision has been appealed to the 6th U.S. Circuit Court of Appeals.

The applicability of the Retirement Eq-


*Continued on page 53*

# Bull market lifts funds $800 billion

By Brad Rudin and Marlene Givant

The bull market, which celebrated its fifth anniversary Aug. 13, has added at least $800 billion to the nation's pension funds and radically altered the ways in which they are managed.

The bull market:

- contributed to the overfunded status of many of the nation's pension plans and encouraged some corporations to terminate those plans and recoup $16.4 billion in surplus assets. It allowed other companies to cease making contributions to their plans.
- sparked explosive growth in the use of index funds for pension fund management, and increased the disenchantment with active equity management.
- fueled rapid growth in the use of portfolio insurance products and other hedging techniques as pension executives positioned their assets so they will avoid giving back the gains when the bull market ends. Such techniques have been blamed for causing sudden large declines in the stock market.

During the bull market, the nation's total private and state and local government pension assets increased to an estimated $2.3 trillion from approximately $1 trillion. More than $800 billion of that was from the stock market; the median equity manager achieved a compound annual return for the period of more than 24%, according to Pensions & Investments' Performance Evaluation Report. The Standard & Poor's 500 stock index gained 29.7% in the same period.

Strong gains in the stock market, and in the bond market for much of the period, that far exceeded rates assumed for actuarial purposes meant many corporate pension funds were more than fully funded on a termination basis.

"Plans are overfunded, but no more than they were in early or mid-1982 because bond rates came down . . . which leaves (plans) in a pretty healthy position," said Robert D. Arnott, vice president and equity strategist at Salomon Brothers Inc., New York.

The net present value of liabilities has risen in line with the value of the asset base, he said.

He estimated the assets of U.S. pension funds have gained $1 trillion in the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STREET STROKES: Wall Street analysts unveil their talents in an art show of recent works — Page 22.

INTERNATIONAL: Varying accounting and financial disclosure rules throughout the world have investment managers sifting through mounds of statistics to find comparable corporate figures for their international stock picks — Page 43.

PIPER: Managers holding intermediate-maturity bonds and and cyclical Pensions & turns —



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# Euroconvertible market growing

By Marcia Parker

NEW YORK — U.S. institutional investors, hungry for ways to reap the rewards of the worldwide bull market and move with the tide of international equity investing, are starting to snap up U.S. dollar-denominated and newer non-U.S. dollar-denominated convertible securities issued by foreign companies in London.

Several money managers are looking at investing in convertibles, including Trust Co. of the West, Los Angeles, which manages $1.5 billion in convertibles; Calamos Asset Management Inc., Oak Brook, Ill., with about $200 million in convertibles under management; and Alliance Capital Management Corp., New York, which manages more than $500 million in convertibles.

Good statistics are hard to come by, but investment bankers and dealers say the number of convertibles issued by foreign companies has doubled in the past year. More than $25 billion in convertibles issued by British, Japanese, Australian and other companies are outstanding. They are about evenly split between U.S. dollar-denominated and non-U.S. dollar-denominated.

"The story of the past few years has been the explosive growth of domestic convertibles. The story for the next five years will be the continued growth of equity-linked securities for non-U.S. companies," said Marc Suvall, managing director at First Boston Corp., New York.

"The world loves equity-linked securities. Everyone wants a piece of the international equity market."

William Gridley, manager of international equity-linked trading for First Boston, said the market for U.S. dollar-denominated convertibles by U.S. companies has matured and is moving on.

"The appetite among U.S. investors is growing. They are moving from domestic equity investing to international equity investing and from international equity investing to international equity-linked investing," Mr. Gridley explained.

The Euroconvertible market growth has been especially strong in Eurosterling issues, fueled by the strength of the U.K. equity market.


*Continued on page 49*

# Small fund making global move

**By Marlene Givant**

ST. LOUIS — Defying its small size, the $85 million Edison Brothers Stores Inc. pension fund has started lending global securities.

At the same time, while other funds are boosting cash, Edison, a women's shoe and apparel retailer, is raising its equity exposure.

The few U.S. funds that lend global securities are billion-dollar ones, but Edison officials have decided to lend a small amount of Japanese equities and bonds in conjunction with the fund's domestic lending program. Lending is handled by the Harborside, N.J., office of the fund's master trustee, Bankers Trust Co., New York.

BEA Associates Inc., New York, runs the fund's entire portfolio, which includes less than 5% in foreign equities and fixed income.

The firm's value approach and Edison's innovative attitude have paid off. For the 12 months ended March 31, the fund returned 16.1%. For the three- and five-year periods, the fund reported compound annualized returns of 21.1% and 20.4%, respectively.

CDA Investment Technologies Inc., Silver Spring, Md., reported a median balanced fund from a universe with a 50-50 bond-equity mix returned 14.1% for the year ended March 31. For the three- and five-year periods, the compound annualized returns were 19.6% and 19.4%, respectively.

Three months ago, the Edison fund's asset mix was almost evenly divided between stocks and bonds. Now the overfunded plan has moved toward 60% in equities.

"We're willing to assume slightly more risk in anticipation of greater returns. That's why we're moving in that direction," said Suren S. Singhvi, vice president and treasurer.

The decision to boost equities also follows a late 1986 shift of $21 million to a fixed-rate annuity account for retirees set up with New York Life Insurance Co., New York.

"This really fits within (that) overall strategic allocation of their assets. Therefore, the proportion we've been running in a balanced portfolio can be increased toward more common stocks," said John B. Hurford, managing director of BEA, which manages about $7 billion for U.S. tax-exempt clients.

Mr. Singhvi considers the $21 million account separate from the $85 million pension fund. The assets previously were managed by BEA.

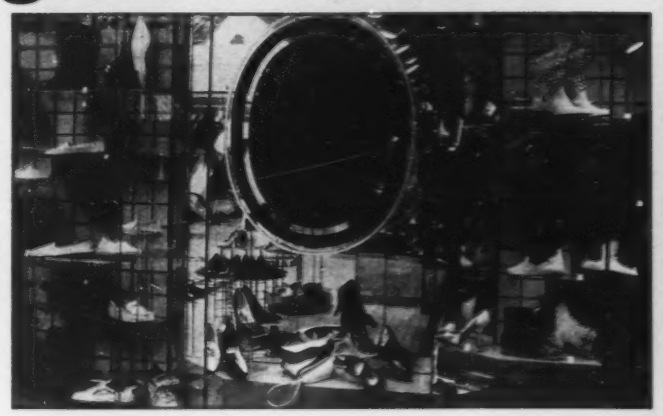
Because BEA is supposed to outperform its peers in down markets, Mr. Singhvi is not nervous about adding to equities while others cut back.

"They are value managers relying on selection of securities when they see long-term potential. It doesn't matter whether people are getting out or getting in," he said of the stock market.

A relative value manager, BEA strategists believe price-earnings ratios for U.S. companies are hardly rock-bottom, but still worth being bought.

"We're still looking at lower p/e stocks. They're not as low absolutely as we'd like, but that doesn't preclude us from buying equities," said Mr. Hurford.

For international securities, "we're looking for diversification and names with relative valuations attractive compared to companies in the U.S. market. When we buy a foreign stock we'd like a p/e lower relative to p/es (of stocks) we would buy in this country," he said.



*The Wild Pair is one of the shoe franchises owned by Edison Brothers Stores. Despite its size, the company's fund is entering global securities lending and is bucking the trend by boosting equities.*

For fixed income, the firm looks for undervalued credit names in sectors selling at depressed levels. The firm adds value through swapping, but does not make big market-timing bets.

To a smaller extent, Edison enhances returns through securities lending, which it has done with Japanese securities since March 1.

"The results were more than originally projected," Mr. Singhvi said. The revenue varies from month to month because loans are short-term — for three to seven days. The fund sometimes lends corporate bonds and government securities as well as equities. ■

*Feodor Pitcairn handled foreign securities at Fidelity Bank before joining his family's company. He's now chairman of the board.*

# Pitcairns pursue pension portfolios

**By Hank Berkowitz**

JENKINTOWN, Pa. — The Pitcairn family, one of America's wealthiest and most private families, is opening its business doors to institutional investors.

Although other wealthy families such as the Rockefellers, Bessemers and Pews have shared their financial staffs with high-net-worth individuals, the Pitcairns are believed to be the first to pursue pension plans and other tax-exempt institutional assets in a commercial venture.

The Pitcairn Co. is offering a host of investment products — from traditional equity investments to real estate, oil and gas and perhaps leveraged buy-outs and venture capital. Custodial and actuarial services also may

*Continued on page 50*

# Eastern fight traps trustees

**By Nicky Robertshaw**

WASHINGTON — Now that a federal judge has blocked any shareholders from tendering the shares held by Eastern Air Lines Inc.'s stock ownership plan, attorneys for all the parties will be working to resolve the issue of how trustees for the shares can legally respond to the offer.

U.S. District Judge Thomas Penfield Jackson in the District of Columbia issued a preliminary injunction Aug. 12 blocking anyone from tendering Eastern Air Lines 20% participating, non-cumulative convertible preferred stock pursuant under TAC Acquisition Inc.'s tender offer. TAC is a subsidiary of Texas Air Corp., the new owner of Eastern.

In response to the court's action, the offer, which had been set to expire Aug. 14, has been extended to Aug. 28 and made effective for all the shares rather than the original 1.6 million shares, according to the revised tender offer filing with the Securities and Exchange Commission.

Texas Air's move to extend its tender offer is seen as an indication the company intends to press forward despite the opposition.

"It's a signal it's not a small issue for Texas Air," said Timothy Pettee, airline analyst at Bear, Stearns & Co., New York. He added the move is a precursor to labor negotiations set for later this year with Eastern employees, and given that the dividends on the stock are 20% of net income, "It's a potentially expensive preferred stock issue."

The block of stock owned by the Eastern Wage Investment Program Trust has been a thorn in the side of Eastern and its new owner, Texas Air, since the November 1986 merger. Under the terms of the preferred stock, the trust can block certain major business changes.

The terms of the trust, which Eastern set up in 1984 in exchange for major employee concessions, also spell out the shares may not be tendered.

The judge's ruling addressed the concerns of plan trustees, who at an Aug. 11 hearing argued they would be liable for breach of fiduciary duty whether they tender the shares or decline to tender the shares.

Each trustee "prays for guidance from the court as to whether it must adhere to plan and trust provisions restricting the transfer of the preferred shares, or make a decision to tender or not, based solely on its own analysis as a fiduciary under the Employee Retirement Income Security Act as to the pecuniary merit of the offer, disregarding the transfer restrictions in the trust and the plan agreement," Judge Jackson wrote.

Attorneys for the airline had argued the trustees could rely on a legal opinion contained in TAC Acquisition's July 17 tender offer for the plan shares, which states that under the fiduciary duties set forth in ERISA, the trustees — in making an independent judgment — may be required to tender the shares despite the restrictions on transfers set forth in the plans.

An attorney for the Air Line Pilots Association took issue with this argument, adding that under the collective bargaining requirements of the Railroad Labor Act the voting restrictions set forth in

*Continued on page 51*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

***P&I Age* July indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 5.08 | 33.97 | 39.38 |
| Russell 3000 | 4.27 | 30.04 | 32.85 |
| Ryan Index | −0.56 | −2.35 | 0.55 |
| Shearson Lehman Gov't./Corp. | −0.22 | −0.66 | 3.77 |

Source: Rogers, Casey and Barksdale Inc., and Frank Russell.

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# Passive strategies lure Illinois funds

URBANA, Ill. — The University of Illinois' two endowment funds, with $120 million in total assets, dropped long-time managers to move into index and mutual funds, said Rea Jones, assistant vice president-business affairs.

The funds are the $85 million University of Illinois Foundation Endowment Fund, a private, not-for-profit corporation, and the $35 million University of Illinois Endowment Fund, which is controlled by the university's trustees.

The foundation dropped Continental Illinois National Bank & Trust Co., Chicago, while the university fund dropped First Chicago Investment Advisors. Both ran balanced portfolios; they were terminated primarily because they didn't offer passive strategies the funds desired.

Both funds also will drop First National Bank of Chicago as custodian.

Because of the move to index and mutual fund strategies, the endowment funds will hold only shares of commingled funds, rather than individual securities, so they won't need a separate custodian, Mr. Jones said.

The foundation hired American National Bank & Trust Co. of Chicago, to run four index funds — $21.25 million each in funds tracking the Standard & Poor's 500 stock index and the Shearson Lehman Government/Corporate bond index and $8.5 million each in a small-capitalization stock fund, tracking the Wilshire 5000 stock index minus the S&P 500, and a foreign stock fund, tracking the Morgan Stanley Capital International Europe, Australia Far East index.

Also, the foundation hired Miller Anderson and Sherrerd, Bala Cynwyd, Pa., to run $25.5 million in a balanced account of mutual funds, with equities not to exceed 50% of the portfolio.

The university endowment fund hired Wells Fargo Investment Advisors, San Francisco, to run $19.25 million in a South Africa-free S&P 500 index fund and Miller Anderson and Sherrerd to manage $15.75 million in a South-Africa free bond mutual fund.

Mr. Jones said the university endowment plans to hire a closed-end real estate manager later this year to run 10% of its assets, taking the money equally from its two new managers.

Unlike the university endowment fund, the foundation doesn't follow the university's restrictions on buying securities of companies with operations in South Africa, said Mr. Jones. He noted American National doesn't offer a South Africa-free fund.

He pointed out the funds are separate legal entities, although they share similar investment advice, and separately used the same search consultant, Ennis Knupp & Associates Inc., Chicago. ■

## Corrections & clarifications

• In a July 27 article on convertible securities, **John Calamos** was identified incorrectly as managing director of Noddings-Calamos Asset Management Inc. Mr. Calamos and Tom Noddings have parted; Mr. Calamos is president of Calamos Asset Management Inc.

• The figure reported in the July 27 issue for **Ford Motor Co.**'s 1986 pension expense reflected worldwide expense. Ford's domestic expense was $544.8 million, an increase of only 1.2% from 1985.

Money movers appear in each issue of *Pensions & Investment Age*.

Please send information for the money movers section to:

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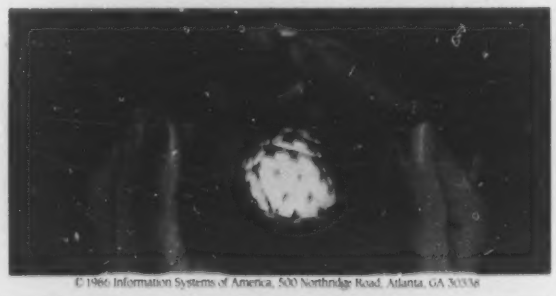

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# Cash Management

## Treasurers focus greater attention on cash portfolios

By Sheryl L. Cohen

Treasury executives increasingly are bringing their corporate cash portfolios under more rigorous investment management by hiring their first outside money managers, requesting broader authority to use newer types of strategies and seeking better performance measurement benchmarks.

At Joseph E. Seagram & Sons Inc., New York, cash managers have commenced a first-time search for managers to invest up to 90% of Seagram's treasury assets with four managers, according to Ronald F. Reed, director-cash management. Seagram would retain 10% for in-house, day-to-day management.

At Eastman Kodak Co., Rochester, N.Y., cash executives are considering their first use of futures and options to hedge a preferred stock portfolio that already is being run by an outside manager.

Although more companies are employing outside managers to help invest corporate cash, many still rely on internal staffs to oversee most short-term cash investments.

In an informal telephone survey of 10 companies, *Pensions & Investment Age* found three employ outside managers.

None has more than three employees in the investment area in the cash management department. In fact, many have only one, and often investments are only a fraction of their duties.

At Nike Inc., Beaverton, Ore., for example, only one employee has duties that include investing Nike's $125 million in corporate cash.

Despite the size of their cash portfolios, most of the managers claim their small staffs are adequate. But a growing number recognize that outside managers can provide expertise, more complex strategies and potential for higher returns.

The *P&I Age* survey also found a preference for liquidity and safety in corporate cash investments, even at the cost of higher yields.

Among other companies surveyed:

- Henley Group Inc., La Jolla, Calif., although just more than a year old, already hired one outside manager to run a some corporate cash investments.
- Josten's Co., Minneapolis, runs all its corporate cash investments in house. The manufacturer of school-related supplies moves from being a net investor in summer to a net borrower in fall in a fairly predictable yearly cycle.
- CF Industries Inc., Long Grove, Ill., also must plan corporate cash investments around what one executive terms "a very seasonal cash flow."

The chemical fertilizing company uses only in-house staff for investing its $95 million cash portfolio, claiming, "We feel we know cash flow cycle's better than someone

*Continued on page 25*

## Portland General switches

PORTLAND, Ore. — Portland General Electric Co. switched to Shearson Lehman Brothers Inc., New York, as its commercial paper dealer, said William E. Beyer, manager-cash and banking at Portland General Corp., the parent company.

He said Shearson Lehman replaces Merrill Lynch Money Markets Inc., New York, but declined to disclose the reason for the change.

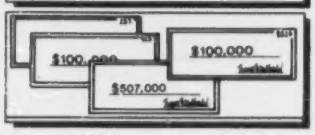
Mr. Beyer added, however, the switch in commercial paper dealers will not affect the company's loan participation program, which is spread among five banks.

"We intend to use both markets right now," he said.

Loan participations is "not just another alternative, it's a very competitive alternative right now," he added.

The company had about $100 million in commercial paper and about $43 million in loan participations outstanding as of June 30.

### Cash accounts




### Direct deposit slated

CINCINNATI — Procter & Gamble Co. is beginning a program to offer individual shareholders direct deposit of their dividends, said M. Eugene Bailey, section manager-treasury management.

He said the dividends would be deposited electronically to 6,000 of the company's 85,000 shareholders, starting with the Aug. 15 dividend.

Fifth Third Bank, Cincinnati, will originate the transactions for Procter & Gamble in a preauthorized payment and deposit, or PPD, format through the automated clearinghouse to accounts at shareholders' banks.

Mr. Bailey was unable to quantify any cost or saving of the new program.

"It's somewhere between breakeven or costing us a few bucks on lost float," he said.

The program "was conceived as an investor relations service," but he noted the company will be saving by moving more dividends to ACH from checks.

He said the company's bank charges about 5 cents to 8 cents to process an ACH credit, compared with 25 cents for a dividend

*Continued on page 25*

## Banks make inroads in short-term loan market

By Fred Williams

Banks are regaining some of the market for short-term commercial loans, lost in recent years to the increasing use of commercial paper.

The growth in the commercial paper market has slowed, due in part to the effort by banks to attract corporate treasurers and finance executives with lending vehicles that are more competitive than conventional short-term loans with commercial paper.

Among the major innovations are loan participation agreements and revolving credit lines linked to the federal funds rate.

In loan participations, banks price short-term loans to be competitive with commercial paper, then sell all or portions of the loans — and the risk — to other investors, such as other banks or corporations, to invest as treasury cash.

The originating bank profits on the fee for initiating the loan, rather than just by earning interest from holding the loan.

The popularity of loan participations by corporate borrowers is still uncertain. Some industry participants claim loan participations have slowed the growth in the commercial paper market since 1985.

But data show banks are regaining some lost ground in commercial lending.

According to the latest revised statistics of the Federal Reserve Bank of New York, the average amount of non-financial commercial paper outstanding peaked in 1985 at $86.9 billion. Non-financial paper outstanding fell to $76.5 billion in the first quarter of 1987 from $78.5 billion in the same period last year.

At the same time, short-term bank loans, as a percentage of all short-term, non-financial business credit, showed a slight increase for the first quarter to 27.17% from 26.17% in first quarter 1986.

Although improvement is evident, it still falls short of the banks' 27.59% share in the same period of 1985 and a 28.85% share in 1984.

And banks still have a lot of ground to cover to return to their position of 1980, when the use of commercial paper began to skyrocket.

In the last quarter of 1980, when non-financial commercial paper outstanding totaled $63.96 billion, banks had a 32.5% share of short-term, non-financial business credit.

To recapture a share of the lending market, banks are offering low-cost lines of credit.

Jackie Dout, manager cash operations and assistant treasurer at Koppers Corp., Pittsburgh, said banks are establishing uncommitted lines of credit for some of their customers with razor-thin margins over the federal funds rate.

"The bank has an internal line set up for you and you agree to an amount," Ms. Dout said. "They give you a quote usually based on the federal funds rate with a thin profit. Banks aren't pushing that because the spreads are so thin."

She said Koppers has not used loan participations, though she sees them as "something for the future."

Demand for loan participation agreements is growing.

James E. Cotton, managing director and head of asset sales at Chase Investment Bank, New York, a subsidiary of Chase Manhattan Bank, estimates loan participation volume has grown to $50 billion or $60 billion outstanding this year from $40 billion or $45 billion last year. In 1985, loan participations outstanding totaled $30 billion.

"Banks are now more competitive," Mr. Cotton said. He predicted loan participations "won't supplant commercial paper, but will serve as a complementary product," perhaps slowing the transition to commercial paper.

Corporate finance officers who use loan participations argue participations are competitive with commercial paper and, in some cases, cheaper than paper; those who don't use syndication are convinced commercial paper is the most economical short-term financing vehicle and use bank lines of credit to support their commercial paper sales.

William E. Beyer, manager-cash and banking at Portland General Corp., Portland, Ore., is an enthusiastic supporter of the bank syndication market as a short-term financing vehicle, contending costs are lower than for commercial paper.

"It is a massive market in which the real numbers don't show up anywhere," Mr. Beyer said. "I feel it is as big as the non-financial dealer placed commercial paper market already. Many large corporations still don't understand loan participations.

"For instance, today some of my paper sold at 6.69% yield for 40 days. And I did a 30-day LPA for 6.69%. I did a 60-day loan (participation) for 6.71%. The loan market is getting more competitive daily from my standpoint as a borrower.

"The kicker is that on my commercial paper, as with anyone else, you need to add a few more basis points to cover . . . the cost of printing, issuing and paying expenses, agent fees, time-sharing costs," Mr. Beyer continued.

"In my case these costs amount to about $70,000 per year. Add seven basis points on to the interest cost of a $100 million program and you have 6.69% plus seven basis points or 6.76%.

"Now look at commercial paper in comparison to LPAs. I think there is a revolution going on. I'm excited about it."

Mr. Beyer said he did a study internally of Portland General's short-term debt and found for the first six months of 1987, commercial paper cost averaged four basis points more than for the "all-in" loan participation cost for the same period.

Mr. Beyer said the growth in loan participations "is a huge trend and one that is basically invisible . . . It's the news story of the year in short-term finance."

Portland General has about $140 million outstanding short-term debt, $100 million in commercial paper and the balance in participations.

Another disciple of loan participation deals with banks is South-

*Continued on page 24*

### Payden & Rygel index of short maturity assets*

(for month ended July 31)

| | July 1987 | Quarter ended 6/30/87 | Year to date | 12 months ended 7/31/87 | Yield level monthly change* |
|---|---|---|---|---|---|
| 90-day | 0.4357 | 1.4288 | 3.3335 | 5.7645 | 34 |
| U.S. Treasury bill | 0.6021 | 1.5928 | 3.7491 | 6.3401 | −16 |
| Domestic C.D. | 0.6229 | 1.6447 | 3.8051 | 6.4956 | −20 |
| Eurodollar C.D. | | | | | |
| 180-day | 0.4141 | 1.4921 | 3.3352 | 5.8835 | 24 |
| U.S. Treasury bill | 0.6272 | 1.3945 | 3.4451 | 6.0749 | −12 |
| Domestic C.D. | 0.6523 | 1.4921 | 3.4893 | 6.2587 | −15 |
| Eurodollar C.D. | | | | | |
| 1-year | 0.4613 | 1.0982 | 2.8709 | 5.6298 | 12 |
| U.S. Treasury note | | | | | |
| 2-year | 0.3655 | 0.1359 | 1.7358 | 4.8422 | 15 |
| U.S. Treasury note | | | | | |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. Ninety- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

**PIPER**

*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

# Short maturities lead fixed income

By Trudy Ring

Managers holding intermediate-maturity bonds were the best performers in periods of three years and longer covered by the Pensions & Investments' Performance Evaluation Report.

However, rising interest rates and plummeting bond prices made shorter maturities better performers in the most recent quarter. A mix of intermediate- and short-maturity managers appeared among the top performers for the past year.

United Bank of Denver once again topped the three-, five- and 10-year periods of the PIPER fixed-income survey, which covers 287 bank and insurance company pooled funds. This was the fifth consecutive quarter United Bank achieved this distinction.

Delaware Trust Co., Wilmington, was first for the year ended June 30, while Hawaiian Trust Co., Honolulu, placed first for the quarter.

Again, a majority of funds failed to outperform market indexes, except in shorter periods. For the quarter, the median PIPER fixed-income fund returned −1.6%, tying the Salomon Brothers Broad Investment Grade bond index and slightly outperforming the Shearson Lehman Government/Corporate bond index, which returned −1.9%.

For the year, the PIPER median was 5.3%, while the Salomon Brothers index returned 5.6% and the Shearson Lehman index, 4.7%. For the three-year period, the median fund was up 16.3%, while the Salomon Brothers and Shearson Lehman indexes were up 18% and 17.6% respectively. Figures for periods of more than a year are compound annual returns.

In the five years ended June 30, the median fund returned 15.3%, the Salomon Brothers index, 16.8%, and the Shearson Lehman index, 16.4%. For the 10-year period, the median fund returned 9.8% and the Shearson Lehman index, 10.1%. The Salomon Brothers index does not go back 10 years.

United of Denver achieved stellar performance in all periods of the survey. For the three-, five- and 10-year periods, its annualized returns were 27%, 21.9% and 12.7% respectively. For the year, it returned 6.5%, which placed it in the top 20% of all funds; for the quarter, its return was −1%, which kept it in the top 30%. Just more than 10% of the fixed-income funds surveyed had positive returns for the quarter.

United Capital Management, the subsidiary that manages the $3^ -illion pooled fund, invests on the basis of interest rate forecasts and sector spreads. "We've been fortunate to be anticipating interest rates pretty much correctly," said W. Lon Schreur, president.

The managers became more defensive and shortened the fund's maturity early in 1986. It had a 20-year average maturity for five years before that; the managers shortened maturities to an average of eight years and have been bringing the average maturity down gradually to the current six years.

The fund is about 90% in Treasury securities, with the rest in high-rated corporate bonds.

Another interest rate forecaster, Beverly Trust Co. (formerly Beverly Bank), Chicago, scored well with securities of intermediate maturities.

Beverly Trust was third among all funds for the 10-year period, returning 12.4%, and fifth for the year, with 9.2%. It was in the top 10% for the five- and three-year periods, with returns of 17.9% and 20.2% respectively. Performance was at the median, −1.6%, for the quarter.

The $7.5 million fund is in high-coupon, investment-grade, corporate bonds, said Ron Stajkowski, president. Average maturity is seven years. Interest rate forecasting is vital to the investment strategy, he said.

The mediocre performance for the quarter isn't meaningful, he

*Continued on page 39*

**PIPER fund tables**


| | |
|---|---|
| Top-quartile fixed | 32 |
| Top fixed, by size | 32 |
| Top-quartile equity | 34 |
| Top equity, by size | 34 |


# Cyclicals spark equity leaders

By Hank Berkowitz

Investments in technology, paper and other out-of-favor cyclical industries fueled the portfolios of the top-performing equity managers in Pensions & Investments' Performance Evaluation Report for the periods ended June 30.

PIPER measures the performance of 310 commingled equity funds managed by bank and insurance companies.

First Fidelity Bank, Newark, N.J., was the top performing equity manager for the second quarter, returning 8.7% compared with the Standard & Poor's 500 stock index's return of 5%. Only one-fifth of the PIPER equity funds outperformed the benchmark during the quarter, with the median return being 3.2%.

First Fidelity was one of the few fundamental managers in the top 10% for the quarter, as contrarians and market timers gained top spots for the first time in several years.

Denver-based United Capital Management, the investment arm of United Bank of Denver, ranked second with a 7.8% return. It invests primarily in long out-of-favor capital goods industries like heavy equipment, machine tools, steel and aluminum.

Like many recently successful money managers, Lon Schreur, president of United Capital Management, shifted from consumer goods to capital goods. He expects the dollar's decline to benefit U.S. manufacturers, particularly **Caterpillar Inc.** and **Clark Equipment Co.**

Norstar Trust Co., Rochester, N.Y., another contrarian, ranked third at 7.5%. Norstar's $950 million portfolio is overweighted in computer technology firms and small- to intermediate-capitalized electronics companies, a sector that has lagged significantly in the bull market.

"We've been contrarians for quite some time," said Bart Feiden, senior investment officer, who places great emphasis on "finding undervalued, underfollowed situations," in the market.

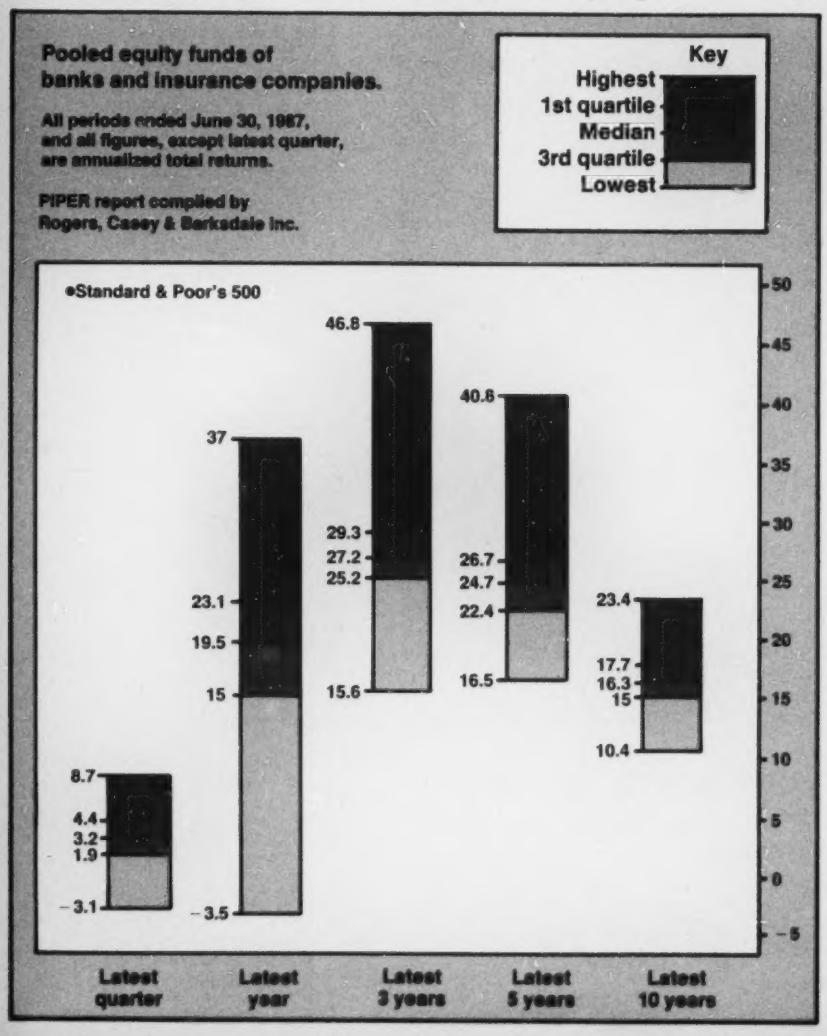
Another contrarian, AmSouth Bank, Birmingham, Ala., made a remarkable turnaround during the quarter, rising to fourth position from 285th at the end of March.

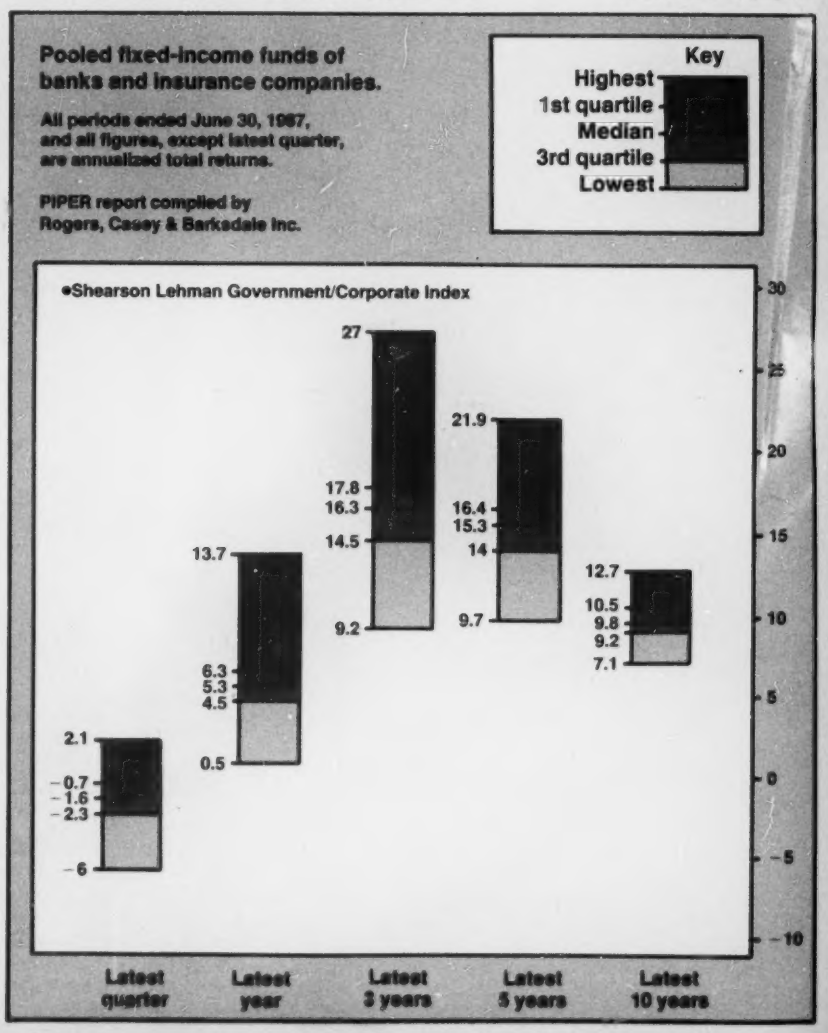
"Patience is required to stick with one's investment strategy," said John Goff, chief investment officer.

Mr. Goff favors large-capitalized companies in basic industries — **Texaco Inc.**, **Exxon Corp.**, **The Dow Chemical Co.** and **Deere & Co.** — all of which he expects to benefit from the lower dollar.

While non-traditional managers generally excelled in the most re-

*Continued on page 38*



## Top quartile commingled fixed-income funds

### 1-year returns

| | % |
|---|---|
| Delaware Trust Co. | 13.7 |
| Wellington Trust (Emerg. co.) | 10.0 |
| Sanwa Bank (C), Calif. | 9.4 |
| Columbus Bank & Trust, Ga. | 9.3 |
| Beverly Bank, Ill. | 9.2 |
| First Alabama, Mobile | 9.2 |
| Hawaiian Trust (Def.) | 9.1 |
| Colonial Amer. Nat'l (Inc.) | 9.1 |
| Transamerica Life Ins. (T-2) | 8.9 |
| Northern Central, Pa. | 8.5 |
| Trustmark Nat'l, Miss. | 8.4 |
| Mercantile Safe, Md. | 8.3 |
| First Variable Life, Ark. | 8.2 |
| First of Neenah (Mtg.), Wis. | 7.8 |
| Chase Manhattan (Sec. mtg.), N.Y. | 7.7 |
| Wheeling Dollar Bank, W. Va. | 7.7 |
| Central Fidelity (Mtg.), Va. | 7.7 |
| Pacific Mutual, Calif. | 7.7 |
| Signet Bank/Md. (Short term) | 7.7 |
| Chase Manhattan (A), N.Y. | 7.6 |
| First of Chicago | 7.5 |
| Colorado Nat'l Bank | 7.4 |
| Bankers Trust (A), N.Y. | 7.4 |
| Midlantic Nat'l, N.J. | 7.4 |
| Chase Manhattan (Short-int.), N.Y. | 7.3 |
| Valley Fidelity, Tenn. | 7.2 |
| Toledo Trust, Ohio | 7.0 |
| First City Nat'l Houston | 7.0 |
| Dauphin Deposit (Short term), Pa. | 7.0 |
| AmSouth (Ltd. mat.), Ala. | 7.0 |
| IAA Trust Co. (B), Ill. | 7.0 |
| E.F.Hutton (Inter. gov. B), Del. | 7.0 |
| Mercantile Safe (Inter.), Md. | 6.9 |
| Wachovia Bank, N.C. | 6.9 |
| Wellington Trust (Mtg. rel. sec.) | 6.9 |
| Prudential (VCA 8),N.J. | 6.8 |
| Norstar Trust Co., N.Y. | 6.8 |
| Texas Commerce (Low vol.) | 6.8 |
| United Mercantile Bank (A), Calif. | 6.8 |
| Central Bank Denver | 6.7 |
| Seafirst Bank, Wash. | 6.7 |
| Bank of America, Calif. | 6.6 |
| First of Neenah (Inter.), Wis. | 6.6 |
| Society Nat'l, Ohio | 6.6 |
| First of Neenah (Long term), Wis. | 6.6 |
| AmeriTrust (Reserve), Ohio | 6.6 |
| Exchange Nat'l Bank, Ill. | 6.6 |
| United of Denver | 6.5 |
| First Union Bank, N.C. | 6.5 |
| Cullen Bank, Texas | 6.5 |
| Commerce Union, Tenn. | 6.5 |
| Marine Midland, N.Y. | 6.5 |
| Shawmut Bank (Inter.) Mass. | 6.4 |
| Interfirst Bank Dallas (Inter.) | 6.4 |
| Bankers Trust (8), N.Y. | 6.4 |
| First Kentucky Trust | 6.4 |
| Sentry Life (D), Wis. | 6.4 |
| New York Life Ins. (4) | 6.4 |
| Continental Bancorp, Pa. | 6.4 |
| Harris Trust (Gain), Ill. | 6.3 |
| First of Elgin (D), Ill. | 6.3 |
| United Virginia Bank (Short term) | 6.3 |
| Jefferson Trust (Inc.), Ill. | 6.3 |
| **Shearson Lehman G/C Index** | **4.7** |

### 5-year returns

| | % |
|---|---|
| United of Denver | 21.9 |
| Delaware Trust Co. (Inc.) | 20.2 |
| First Interstate of Denver | 20.0 |
| Life of Virginia | 19.8 |
| Centerre Trust, Mo. | 19.6 |
| First Wis. Nat'l Madison | 19.3 |
| First Variable Life, Ark. | 19.2 |
| Connecticut Nat'l Bank | 18.5 |
| IAA Trust Co. (B), Ill. | 18.5 |
| Citicorp, N.Y. | 18.5 |
| Society Nat'l, Ohio | 18.4 |
| Colorado Nat'l Bank | 18.4 |
| AmSouth, Ala. | 18.3 |
| First Kentucky Trust | 18.3 |
| Sanwa Bank (C), Calif. | 18.3 |
| Equitable Life (5), N.Y. | 18.3 |
| CIGNA Corp. (Active), Conn. | 18.2 |
| American Security, D.C. | 18.0 |
| Colonial Amer. Nat'l (Inc.), Va. | 18.0 |
| Beverly Bank, Ill. | 17.9 |
| Central Fidelity (Mgd.), Va. | 17.9 |
| John Hancock, Mass. | 17.9 |
| Pacific Mutual, Calif. | 17.9 |
| First of Chicago | 17.8 |
| First of Chicago ($ fixed) | 17.6 |
| Nat'l Bank of Commerce, Neb. | 17.6 |
| First Variable Life (H.Q.), Ark. | 17.6 |
| Key Trust Co., N.Y. | 17.5 |
| Columbus Bank & Trust, Ga. | 17.4 |
| Wachovia Bank, N.C. | 17.3 |
| Bank of Calif. (Flexible) | 17.2 |
| First of Omaha (C), Neb. | 17.1 |
| CIGNA Corp. (Inter.), Conn. | 17.1 |
| Morgan Guaranty, N.Y. | 17.1 |
| Sovran Bank, Va. | 17.1 |
| Marine Midland, N.Y. | 17.0 |
| Bankers Trust (A), N.Y. | 17.0 |
| Philadelphia Nat'l, Pa. | 16.9 |

## Top fixed funds by size

### 1-year returns

#### Over $100 million

| | % |
|---|---|
| TransAmerica Life Ins. (T-2) | 8.9 |
| Chase Manhattan (Sec. Mtg.) | 7.7 |
| Pacific Mutual, Calif. | 7.7 |
| First of Chicago | 7.5 |
| Chase Manhattan (Short-inter.) | 7.3 |
| Wachovia Bank, N.C. | 6.9 |
| Prudential (VCA 8), N.J. | 6.8 |
| First Union Bank, N.C. | 6.5 |
| Interfirst Bank Dallas (Inter.) | 6.4 |
| New York Life Ins. (S.A.4) | 6.4 |

#### $50 million to $100 million

| | % |
|---|---|
| Hawaiian Trust (Def.) | 9.1 |
| Trustmark Nat'l, Miss. | 8.4 |
| Chase Manhattan (A), N.Y. | 7.6 |
| Bankers Trust (A), N.Y. | 7.4 |
| Midlantic Nat'l, N.J. | 7.4 |
| AmSouth (Ltd. mat.), Ala. | 7.0 |
| Mercantile Safe (Inter.), Md. | 6.9 |
| Texas Commerce (Low vol.) | 6.8 |
| AmeriTrust (Reserve), Ohio | 6.6 |
| Exchange Nat'l Bank, Ill. | 6.6 |

#### $10 million to $50 million

| | % |
|---|---|
| Delaware Trust Co., Del. | 13.7 |
| Wellington Trust (Emerg. co.) | 10.0 |
| Sanwa Bank (C), Calif. | 9.4 |
| Columbus Bank & Trust, Ga. | 9.3 |
| First Alabama, Mobile | 9.2 |
| Mercantile Safe, Md. | 8.3 |
| Colorado Nat'l Bank | 7.4 |
| Valley Fidelity, Tenn. | 7.2 |
| Toledo Trust, Ohio | 7.0 |
| First City Nat'l Houston | 7.0 |
| Dauphin Deposit (Short term) | 7.0 |
| IAA Trust Co., N.Y. | 7.0 |

#### Under $10 million

| | % |
|---|---|
| Beverly Bank, Ill. | 9.2 |
| Colonial Amer. Nat'l (Inc.), Va. | 9.1 |
| Northern Central, Pa. | 8.5 |
| First Variable Life, Ariz. | 8.2 |
| First of Neenah (Mtg.), Wis. | 7.8 |
| Central Fidelity (Mgd.), Va. | 7.7 |
| Signet Bank/Md. (Short term) | 7.7 |
| E.F.Hutton (Inter. gov. B), Del. | 7.0 |
| Wellington Trust (Mtg. rel. sec.) | 6.9 |
| United Mercantile (A), Calif. | 6.6 |

### 10-year returns

#### Over $100 million

| | % |
|---|---|
| Sovran Bank, Va. | 12.4 |
| Centerre Trust, Mo. | 11.8 |
| Texas Commerce (Active) | 11.8 |
| Pacific Mutual, Calif. | 11.7 |
| American Security, D.C. | 11.7 |
| Bank of New England, Mass. | 11.0 |
| Boatmen's Nat'l, Mo. | 10.9 |
| Interfirst Bank Dallas (Inter.) | 10.9 |
| John Hancock, Mass. | 10.7 |
| Mercantile Bank (Coll.), Mo. | 10.6 |
| Citicorp, N.Y. | 10.6 |
| CIGNA Corp. (Active), Conn. | 10.6 |

#### $50 million to $100 million

| | % |
|---|---|
| Life of Virginia | 12.0 |
| Fidelity Bank, Pa. | 12.0 |
| Hibernia Nat'l, La. | 11.5 |
| First Kentucky Trust | 11.4 |
| AmeriTrust (Reserve), Ohio | 10.9 |
| Manufacturers Detroit | 10.9 |
| Bankers Trust (B), N.Y. | 10.8 |
| US Trust, N.Y. | 10.8 |
| Bankers Trust (A), N.Y. | 10.6 |
| First Fidelity (Inter.), N.J. | 10.3 |

#### $10 million to $50 million

| | % |
|---|---|
| United of Denver | 12.7 |
| Bank IV Wichita, Kan. | 12.1 |
| Seafirst Bank, Wash. | 11.6 |
| First Wis. Nat'l Madison | 11.5 |
| First Interstate of Calif. | 11.3 |
| Sanwa Bank (C), Calif. | 11.3 |
| Merchants Nat'l, Pa. | 11.0 |
| American Nat'l Bank, Tenn. | 10.9 |
| Cullen Bank, Texas | 10.8 |
| Toledo Trust,Ohio | 10.7 |
| Commerce Union, Tenn. | 10.7 |

#### Under $10 million

| | % |
|---|---|
| Beverly Bank, Ill. | 12.4 |
| Central Fidelity (Mgd.), Va. | 11.2 |
| Colonial Amer. Nat'l (Inc.), Va. | 10.6 |
| Oregon Bank | 10.5 |
| First of Neenah (Inter.), Wis. | 10.3 |
| Assoc. Manitowoc (High inc.) | 10.1 |
| First Nat'l Lincoln, Neb. | 9.9 |
| American Nat'l Bank, Ind. | 9.7 |
| First in Bartlesville, Okla. | 9.7 |
| Old Second Nat'l (HR 10), Ill. | 9.6 |

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| | |
|---|---|
| First Interstate of Calif. | 16.9 |
| Liberty Nat'l, Ky. | 16.8 |
| First Alabama, Mobile | 16.8 |
| Travelers (P), Conn. | 16.7 |
| Hawaiian Trust | 16.7 |
| State Street Bank, Mass. | 16.6 |
| Republic Nat'l Dallas | 16.6 |
| Toledo Trust, Ohio | 16.6 |
| American Nat'l (Inc.), Minn. | 16.5 |
| Trust of Georgia (TRFIF) | 16.5 |
| Mutual of New York (Public) | 16.4 |
| Northern Trust, Ill. | 16.4 |
| California First Bank | 16.4 |
| Citizens C&S (Inter.), Mich. | 16.4 |
| **Shearson Lehman G/C Index** | **16.4** |
| Wheeling Dollar Bank, W.Va. | 16.4 |
| Confederation Life (Amer.), Ont. | 16.4 |

### 10-year returns

| | % |
|---|---|
| United of Denver | 12.7 |
| Sovran Bank (Inst.), Va. | 12.4 |
| Beverly Bank, Ill. | 12.4 |
| Bank IV Wichita, Kan. | 12.1 |
| Life of Virginia | 12.0 |
| Fidelity Bank, Pa. | 12.0 |
| Centerre Trust, Mo. | 11.8 |
| Texas Commerce (Active) | 11.8 |
| Pacific Mutual, Calif. | 11.7 |
| American Security, D.C. | 11.7 |
| Seafirst Bank, Wash. | 11.6 |
| First Interstate of Denver | 11.6 |
| Hibernia Nat'l, La. | 11.5 |
| First Wis. Nat'l, Madison | 11.5 |
| First Kentucky Trust | 11.4 |
| Manufacturers Hanover, N.Y. | 11.3 |
| First Interstate of Calif. | 11.3 |
| Sanwa Bank (C), Calif. | 11.3 |
| Central Fidelity, Va. | 11.2 |
| Morgan Guaranty, N.Y. | 11.2 |
| First Jersey Nat'l, N.J. | 11.2 |
| Merchants Nat'l, Pa. | 11.0 |
| Bank of New England, Mass. | 11.0 |
| Boatmen's Nat'l, Mo. | 10.9 |
| Interfirst Bank Dallas (Inter.) | 10.9 |
| AmeriTrust (Reserve), Ohio | 10.9 |
| Manufacturers Detroit | 10.9 |
| American Nat'l Bank, Tenn. | 10.9 |
| Bankers Trust (B), N.Y. | 10.8 |
| U.S. Trust, N.Y. | 10.8 |
| Cullen Bank,Texas | 10.8 |
| Toledo Trust, Ohio | 10.7 |
| Commerce Bank, Tenn. | 10.7 |
| John Hancock, Mass. | 10.7 |
| Mercantile Bank, Mo. | 10.6 |
| Citicorp, N.Y. | 10.6 |
| Bankers Trust (A), N.Y. | 10.6 |
| Connecticut Nat'l Bank | 10.6 |
| CIGNA Corp. (Active), Conn. | 10.6 |
| Colonial Amer. Nat'l (Inc.), Va. | 10.6 |
| First Bank Milwaukee, Wis. | 10.5 |
| First of Neenah (Long term), Wis. | 10.5 |
| American Nat'l (Inc.), Minn. | 10.5 |
| IAA Trust Co. (B), Ill. | 10.5 |
| First of Maryland | 10.5 |
| Oregon Bank | 10.5 |
| Indiana Nat'l Bank | 10.5 |
| Jefferson Trust, Ill. | 10.5 |
| Bessemer Trust, N.Y. | 10.5 |
| **Shearson Lehman G/C Index** | **10.1** |

## Top quartile commingled equity funds

### 1-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 37.0 |
| Norstar Trust Co., N.Y. | 34.4 |
| First Fidelity (Discret.), N.J. | 33.9 |
| Cullen Bank, Texas | 33.1 |
| Irving Trust, N.Y. | 31.3 |
| Commerce Bank-K.C., Mo. | 30.0 |
| Wellington Trust (Inc.), Mass. | 28.9 |
| Phoenix Mutual, Conn. | 27.9 |
| Wachovia Bank, N.C. | 27.7 |
| Southtrust Bank, Ala. | 27.4 |
| Wellington Trust (Div. Gro.) | 27.4 |
| First City Nat'l Houston | 27.3 |
| Wachovia Bank (Eq. mgmt.), N.C. | 27.0 |
| Citicorp (Styleshift), N.Y. | 26.9 |
| First Alabama Bank (1) | 26.8 |
| CREF | 26.8 |
| United of Denver | 26.7 |
| Valley Nat'l (1), Ariz. | 26.6 |
| Frost Nat'l (A), Texas | 26.3 |
| Puget Sound Nat'l, Wash. | 26.2 |
| Central Penn., Pa. | 26.1 |
| Mutual of N.Y. (Inc.) | 26.1 |
| Wheeling Dollar Bank, W.Va. | 26.0 |
| Security Pacific (E), Calif. | 25.9 |
| General American (Index), Mo. | 25.7 |
| Morgan Guaranty (Lg. co.), N.Y. | 25.6 |
| Bank of the West, Calif. | 25.6 |
| Citicorp (Indexplus), N.Y. | 25.5 |
| First of Boston | 25.5 |
| State Street (Matrix Syn.), Mass. | 25.5 |
| John Hancock (1K), Mass. | 25.3 |
| Travelers (Sep. Acct.), Mass. | 25.3 |
| **Standard & Poor's 500** | **25.2** |

*Continued on page 38*

## Top equity funds by size

### 1-year returns

### Over $100 million

| | % |
|---|---|
| Sun Bank, Fla. | 37.0 |
| Citicorp (Styleshift), N.Y. | 26.9 |
| CREF | 26.8 |
| First of Boston, Mass. | 25.5 |
| John Hancock (1K), Mass. | 25.3 |
| Travelers (Sep. acct.), Conn. | 25.3 |
| American Nat'l Chicago (S&P) | 25.1 |
| Wells Fargo (Index), Calif. | 25.0 |
| First Interstate of Calif.(Index) | 25.0 |
| Bankers Trust (Index), N.Y. | 24.9 |
| Bank of America (Index), Calif. | 24.9 |

### $50 million to $100 million

| | % |
|---|---|
| Norstar Trust Co., N.Y. | 34.4 |
| Phoenix Mutual, Conn. | 27.9 |
| First City Nat'l Houston | 27.3 |
| Central Penn., Pa. | 26.1 |
| Citicorp (Indexplus), N.Y. | 25.5 |
| Citytrust (E1), Conn. | 24.7 |
| Society Nat'l (Rel. value), Ohio | 24.4 |
| Sovran Bank, Va. | 24.3 |
| Interfirst Bank Dallas (Inc.) | 23.8 |
| United Missouri, Kan. | 23.8 |
| Citicorp (Int.), N.Y. | 23.8 |

### $10 million to $50 million

| | % |
|---|---|
| First Fidelity (Disc.), N.J. | 33.9 |
| Cullen Bank, Texas | 33.1 |
| Irving Trust, N.Y. | 31.3 |
| Commerce Bank-K.C., Mo. | 30.0 |
| Wellington Trust (Inc.), Mass. | 28.9 |
| Wachovia Bank, N.C. | 27.7 |
| Southtrust Bank, Ala. | 27.4 |
| Wachovia Bank (Eq. mgmt.) | 27.0 |
| First Alabama Bank (1) | 26.8 |
| United of Denver | 26.7 |

### Under $10 million

| | % |
|---|---|
| Wellington Trust (Divers.) | 27.4 |
| Puget Sound Nat'l, Wash. | 26.2 |
| Bank of the West, Calif. | 25.6 |
| Bank of Calif. (Inc.& gro.) | 23.9 |
| Nat'l Bank Commerce, Tenn. | 23.3 |
| Oregon Bank | 23.0 |
| Signet Bank/Maryland (D) | 20.3 |
| Fidelity Mgmt. (Earn. gro.) | 20.3 |
| Mercantile Nat'l, Ind. | 18.5 |
| Central Bank Denver | 17.5 |
| Associated Manitowoc, Wis. | 17.5 |

### 10-year returns

### Over $100 million

| | % |
|---|---|
| Sun Bank, Fla. | 23.4 |
| US Nat'l Oregon (Qualivest) | 20.2 |
| MTrust (Gro.), Texas | 20.1 |
| Provident Nat'l, Pa. | 20.0 |
| Bessemer Trust, N.Y. | 19.7 |
| Manufacturers Detroit | 19.7 |
| Philadelphia Nat'l | 19.6 |
| Equitable Life (4), N.Y. | 19.5 |
| Continental Bancorp, Pa. | 19.5 |
| Texas Commerce (Divers.) | 19.4 |

### $50 million to $100 million

| | % |
|---|---|
| Nat'l Bank of Commerce, Neb. | 20.3 |
| Norstar Trust Co., N.Y. | 18.0 |
| First Fidelity Bank, N.J. | 18.0 |
| AmSouth, Ala. | 17.8 |
| Citytrust (E1), Conn. | 17.7 |
| First City Nat'l Houston | 17.5 |
| Colorado Nat'l Bank | 17.4 |
| Phoenix Mutual, Conn. | 17.2 |
| Mercantile Safe, Md. | 17.2 |
| First Kentucky Trust | 16.9 |

### $10 million to $50 million

| | % |
|---|---|
| First Union Bank, N.C. | 20.9 |
| First Trust Corp., Colo. | 20.3 |
| Citizens Chillicothe (B), Mo. | 20.2 |
| Guardian Ins.(V.A.1), N.Y. | 19.8 |
| Confederation Life, Ontario | 19.7 |
| First Interstate of Okla. | 19.6 |
| US Nat'l of Galveston, Texas | 19.2 |
| First of Omaha (D), Neb. | 19.1 |
| Emp. Life of Wausau (S.A.1) | 19.1 |
| Nationwide Life Ins., Ohio | 19.0 |

### Under $10 million

| | % |
|---|---|
| Unibanctrust, Ill. | 17.3 |
| First of Neenah, Wis. | 17.3 |
| Puget Sound Nat'l, Wash. | 16.6 |
| Merchants Nat'l (2), Ind. | 16.3 |
| Signet/Maryland (D) | 16.3 |
| Union Central, Ohio | 15.7 |
| Bank of Calif. (Inc.& gro.) | 15.6 |
| Boston Safe Deposit | 15.4 |
| Oregon Bank | 15.4 |
| American Nat'l (Gro.), Ind. | 14.9 |

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*Continued from page 34*

| | |
|---|---|
| First Wisconsin Trust (Index) | 25.2 |
| State Street Bank (S&P) | 25.2 |
| American Nat'l Chicago (S&P) | 25.1 |
| Wells Fargo (Index), Calif. | 25.0 |
| First Interstate of Calif. (Index) | 25.0 |
| Bankers Trust (Index),N.Y. | 24.9 |
| Bank of America (Index),Calif. | 24.9 |
| Crown Life (US Grp.), Ontario | 24.8 |
| Bank of New England, Mass. | 24.7 |
| Citytrust (E1), Conn. | 24.7 |
| American Security, D.C. | 24.5 |
| South Carolina Nat'l | 24.5 |
| Morgan Guaranty, N.Y. | 24.5 |
| State Street (Value 1), Mass. | 24.4 |
| Society Nat'l (Rel. value), Ohio | 24.4 |
| Sovran Bank, Va., | 24.3 |
| Nat'l City Cleveland | 24.1 |
| American Nat'l, Minn. | 24.0 |
| First Alabama, Mobile | 24.0 |
| Home Life, N.Y. | 23.9 |
| Bank of Calif. ( Inc.& Gro.) | 23.9 |
| Interfirst Bank Dallas (Inc.) | 23.8 |
| United Missouri, Kan. | 23.8 |
| Hibernia Nat'l, La. | 23.8 |
| Citicorp (Integrated), N.Y. | 23.8 |
| Wells Fargo (Tilts & Timing), Calif. | 23.8 |
| Bank of California (Inc.) | 23.7 |
| Mellon Bank, Pa. | 23.6 |
| State Street Bank, Mass. | 23.5 |
| Nat'l Bank of Commerce, Tenn. | 23.3 |
| AmSouth, Ala. | 23.3 |
| Mutual of N.Y. (Growth) | 23.2 |
| Allied Bank, Texas | 23.1 |
| Confederation Life, Ontario | 23.1 |

### 5-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 40.8 |
| First Union Bank, N.C. | 32.0 |
| Bank of New England (Val. path) | 31.8 |
| Morgan Guaranty (Lg. co.), N.Y. | 30.1 |
| First RepublicBank, Texas | 29.9 |
| Cullen Bank, Texas | 29.7 |
| First Interstate of Oregon (EBT) | 29.7 |
| First Interstate of Denver (Value) | 29.7 |
| Provident Nat'l, Pa. | 29.6 |
| Mellon Bank, Pa. | 29.5 |
| John Hancock (1L), Mass. | 29.4 |
| Principal Mutual Life, Iowa | 29.4 |
| Manufacturers Detroit | 29.3 |
| MTrust (Value), Texas | 29.0 |
| Lake Shore Nat'l, Ill. | 28.9 |
| CREF | 28.9 |
| Guardian Ins. (V.A.1), N.Y. | 28.7 |
| John Hancock (1K), Mass. | 28.6 |
| Citicorp (Indexplus), N.Y. | 28.5 |
| First Trust Corp., Colo. | 28.4 |
| Citytrust (E1), Conn. | 28.2 |
| Mutual Benefit, N.J. | 28.2 |
| First of America, Mich. | 28.0 |
| Nationwide Life Ins., Ohio | 28.0 |
| Fidelity Mgmt. Trust (Inc.), Mass. | 28.0 |
| Bankers Trust (Index), N.Y. | 28.0 |
| Wells Fargo (Index), Calif. | 28.0 |
| **Standard & Poor's 500** | **27.9** |
| American Nat'l Chicago (S&P) | 27.9 |
| First Fidelity (Discret.),N.J. | 27.8 |
| State Street Bank (S&P), Mass. | 27.8 |
| Irving Trust, N.Y. | 27.7 |
| Continental Bancorp, Pa. | 27.7 |
| Connecticut Mutual Life (CM) | 27.6 |
| First of Omaha (D) | 27.6 |
| First Alabama, Mobile | 27.6 |
| Society Nat'l (Rel. value), Ohio | 27.6 |
| American Nat'l Chicago (Active) | 27.3 |
| Philadelphia Nat'l | 27.3 |
| Colorado Nat'l Bank | 27.3 |
| Marine Midland, N.Y. | 27.3 |
| First Fidelity Bank, N.J. | 27.3 |
| Texas Commerce (Divers.) | 27.2 |
| Valley Nat'l (1), Ariz. | 27.2 |
| First of Neenah, Wis. | 27.2 |
| Morgan Guaranty, N.Y. | 27.2 |
| Prudential (Priform-low p/e), N.J. | 27.1 |
| Oregon Bank | 27.1 |
| Norstar Trust Co., N.Y. | 27.0 |
| First Interstate of Okla. | 26.9 |
| Nat'l City Cleveland | 26.9 |
| State Street Bank, Mass. | 26.8 |
| Citicorp, N.Y. | 26.8 |
| MTrust (Gro.), Texas | 26.7 |
| Signet Trust Co., Va. | 26.7 |
| Sovran Bank, Va. | 26.7 |
| Nat'l Bank of Commerce, Tenn. | 26.7 |

### 10-year returns

| | % |
|---|---|
| Sun Bank, Fla. | 23.4 |
| First Union Bank, N.C. | 20.9 |
| First Interstate of Denver | 20.7 |
| Nat'l Bank of Commerce, Neb. | 20.3 |
| First Trust Corp., Colo. | 20.3 |
| Citizens Chillicothe (B), Mo. | 20.2 |
| US Nat'l Oregon (Qualivest) | 20.2 |
| MTrust (Gro.), Texas | 20.1 |
| Provident Nat'l, Pa. | 20.0 |
| Guardian Ins. (1), N.Y. | 19.8 |
| Confederation Life, Ontario | 19.7 |
| Bessemer Trust, N.Y. | 19.7 |
| Manufacturers Detroit | 19.7 |
| Philadelphia Nat'l | 19.6 |
| First Interstate of Okla. | 19.6 |
| Equitable Life (4), N.Y. | 19.5 |
| Continental Bancorp, Pa. | 19.5 |
| Texas Commerce (Divers.) | 19.4 |
| US Nat'l of Galveston, Texas | 19.2 |
| First of Omaha (D), Neb. | 19.1 |
| Employers Life of Wausau (S.A.1) | 19.1 |
| Nationwide Life Ins., Ohio | 19.0 |
| American Nat'l Chicago (Active) | 19.0 |
| Nat'l City Cleveland | 19.0 |
| United of Denver | 18.7 |
| Lake Shore Nat'l, Ill. | 18.7 |
| Home Life, N.Y. | 18.7 |
| Principal Mutual Life, Iowa | 18.6 |
| Omaha Nat'l Bank, Neb. | 18.6 |
| MTrust (Value), Texas | 18.5 |
| First Interstate of Oregon (EBT) | 18.4 |
| Wheeling Dollar Bank, W. Va. | 18.4 |
| First of America, Mich. | 18.3 |
| First RepublicBank, Texas | 18.3 |
| Signet Trust Co., Va. | 18.2 |
| Fifth Third Bank, Ohio | 18.1 |
| First Interstate of Wash. | 18.1 |
| Citicorp, N.Y. | 18.1 |
| Norstar Trust Co., N.Y. | 18.0 |
| First Fidelity Bank, N.J. | 18.0 |
| Bank of Tokyo, N.Y. | 17.9 |
| Massachusetts Mutual | 17.8 |
| CIGNA Corp. (S.A. A), Conn. | 17.8 |
| AmSouth, Ala. | 17.8 |
| Equitable Life (Q-vest 18), N.Y. | 17.7 |
| Citytrust (E1), Conn. | 17.7 |
| Aetna Life & Casualty, Conn. | 17.7 |
| C&S Trust Florida | 17.7 |
| Valley Fidelity, Tenn. | 17.7 |
| **Standard & Poor's 500** | **17.2** |


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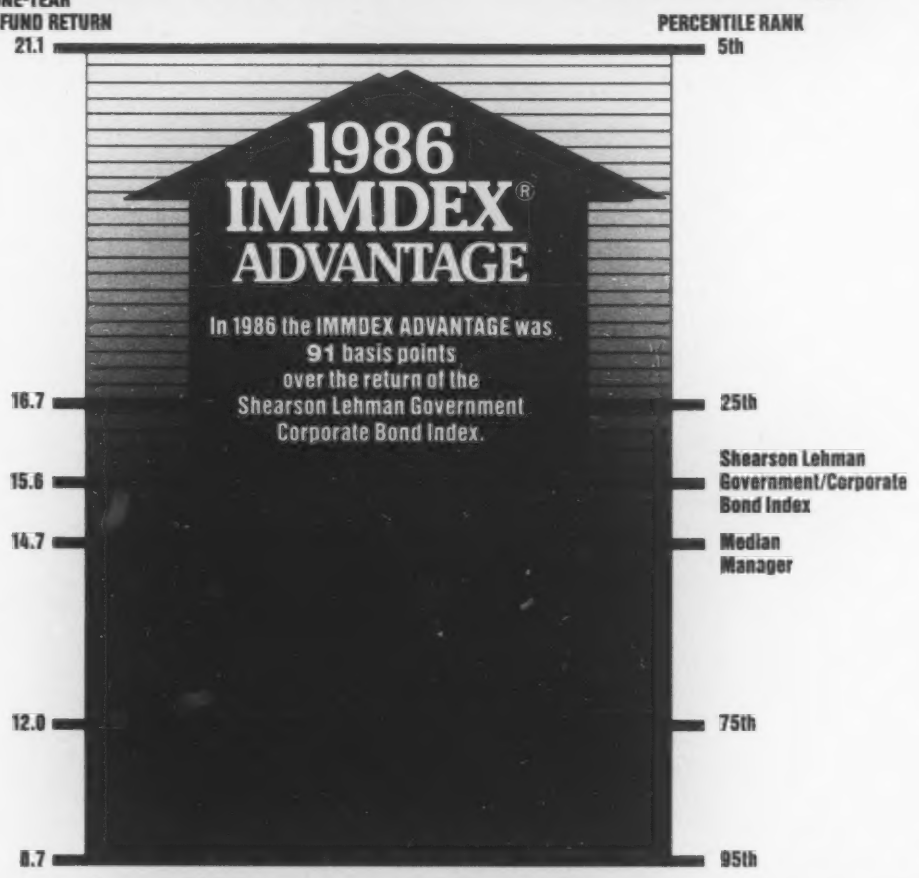


One-year total fund rates of return for the period ended December 31, 1986. Source SEI

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# Cyclical . . .

*Continued from page 31*

cent quarter, fundamental managers dominated the longer-term rankings.

Once again, Sun Banks Inc., Orlando, Fla., was the top-performing PIPER equity manager in the long term, ranking first in the one-, three-, five- and 10-year periods ended June 30. Its 12-month return of 37% was nearly double the S&P's 19.5%. For the three years it returned 46.8%, vs. the S&P 500's 30.6%; for the five years, 40.8% vs. 27.9%; and for 10 years, 23.4%, vs. 17.2%. All returns for more than a year are compound annualized.

The fund also was strong in the short term, finishing in the top 10% with 5.9%.

Sun Banks' portfolio is "overweighted" in technology stocks such as **Digital Equipment Corp.**, **Tandon Corp.**, **Apple Computer Inc.**, **Computer Associates International Inc.** and **Intel Corp.**, said Elliot Perny, executive vice president of investment management.

The median equity fund returned 19.5% for the year ended June 30, compared with the S&P's 25.2%. Only one-eighth of the equity managers tracked by PIPER managed to beat the index during the period.

Norstar Trust, third-ranked during the quarter, finished second in the yearly rankings, posting a 34.4% return, despite doubling its cash position to nearly 20%.

Norstar looks for "underfollowed" small- and medium-cap companies, said Bart Feiden, senior investment officer, adding there have not been a lot of good values available in recent months.

Norstar's portfolio is weighted toward emerging growth companies in the high-tech area, like semiconductor manufacturer **Kulicke & Soffa Industries Inc.**, "which are about due" after lagging the bull market, Mr. Feiden said.

Rounding out the top five for the year were First Fidelity, with a 33.9% return; Cullen Center Bank & Trust, Houston, with 33.1%; and Irving Trust Co., New York, 31.3%.

Cullen left the consumer goods sector last year, selling **K mart Corp.**, **Southland Corp.** and **Dayton-Hudson Corp.** and increased its holdings in technology, chemicals and paper.

*Continued on page 39*

# Short maturities . . .

*Continued from page 31*

said, as the trust company manages for the long term.

The peak in interest rates likely has passed, he added, because the Federal Reserve will keep rates at the current level or lower because of concern for the financial community.

Interest rate forecasts don't figure in the strategies of some other good long-term performers, but they also did well with intermediate-maturity bonds.

Delaware Trust, the best performer of the year with 13.7%, stays fully invested in high-quality securities with a 10-year average maturity, said Kenneth L. Holmes, vice president and investment marketing manager.

"Interest rate forecasts are unreliable, so we don't take the added risk of acting upon them," he said.

Delaware Trust's bond fund, now at $21 million, also performed well in the five-year period, when it was second with 20.2%, and the three-year span, when it was fourth with 23.2%. It is too new for the 10-year period. In the most recent quarter, it slipped below the median with −2.1%.

"We have had quarters of that kind from time to time," Mr. Holmes said. That's just a function of the fund's strategy, staying fully invested and not trying to time the market, he said.

As of June 30, the fund was 91% in mortgage-related securities, with most of the remainder in municipal bonds. "We're not afraid to use a high- quality municipal in a pension account when it's the best thing around," Mr. Holmes said.

First Interstate Bank of Denver's bond fund also achieved good long-term performance with issues in the intermediate range. First Interstate's pooled fund, managed by Denver Investment Advisors Inc., placed third for the five- and three-year periods, with annualized returns of 20% and 23.9% respectively. It also was in the top 10% for the 10 years, with 11.6%.

It was just above the median for the year, with 5.5%, and slipped to the bottom 20% for the quarter, with −2.8%.

The short-term returns were a function of the fund's duration and an increase in interest rates, said Jay Barr, vice president of Denver Investment Advisors. The management firm does not try to forecast interest rates, but concentrates on security selection, he said. The $50 million fund is about 75% in corporate issues, with the remainder in Treasuries.

The holdings have an average duration of seven years; this had been longer at some points in the periods measured, leading to the good long-term performance, Mr. Barr said. He considers duration a better measure of risk than maturity; duration is the period it takes an investor to get back half of a bond's present value.

Short maturities were the hallmark of funds that did well in the most recent quarter. Hawaiian Trust's defensive fund, which topped the quarter's rankings by gaining 2.1%, has an average maturity of 2½ years, said William Barton, chief investment officer. It is 85% in "collapsible" guaranteed investment contracts, which can be redeemed on six months' notice, and 15% in money market instruments.

The fund does better in bearish bond markets than in bullish ones, he said. It was in the top 10% for the year, with a return of 9.1%, but was in the bottom 10% for the three-year period, with 10.2%. Begun in 1983, it was too new for other periods of the survey.

Trustmark National Bank, Jackson, Miss., also did well in the quarter and year with a defensive, short-maturity posture. Its bond fund was third in the quarter, with 1.5%, and in the top 10% on the year, with 8.4%. It was in the bottom 20% for the three- and five-year periods, at 12.7% and 13.3% respectively, and slightly above the median for the 10-year time frame, with 10.1%.

The fund definitely does better in down markets, said Bill Wardlaw, senior vice president and trust officer. "Our typical customer is looking more for preservation of capital than for high numbers," he said.

The $95 million fund is 70% in Treasuries and 30% in GICs. Average maturity is 2½ years, down from 3½ in the past 12 months. The fund's guidelines state it cannot have a maturity longer than five years. ■

# Cyclical . . .

*Continued from page 38*

Robert McAshan, Cullen's chief investment officer, likes **United Technologies Corp., Motorola Inc., Xerox Corp., Telex Corp.** and **IBM Corp.** and tends to stay away from smaller-cap holdings in those industries.

Cullen also finished in the top 10% for the three- and five-year periods, returning compound annualized returns of 31.6% and 29.7%.

In the three-year rankings, Sun Banks' nearest competitor was First of America Investment Management, Kalamazoo, Mich., a subsidiary of First of America Bank Corp., with 36.2%, followed by Bank of the West, San Jose, Calif., with 35.2%; Puget Sound National Bank, Seattle, Wash., 34.8%; and IDS Trust Co., Minneapolis, 34.4%. The median equity fund returned 27.2% during that period, compared with the S&P's 30.6%.

Its closest competitors in the five-year period were First Union Bank, Charlotte, N.C., with a compound annualized 32%; Bank of New England, Springfield, Mass., with 31.8%; Morgan Guaranty Trust Co., New York, 30.1%; and First RepublicBank, Dallas, 29.9%. By comparison, the median PIPER fund returned 24.7% and the S&P, 27.9%.

In the 10-year period, Sun Banks' compound annual return of 23.4% outdistanced First Union with 20.9%; First Interstate Bank of Denver, 20.7%; National Bank of Commerce Trust & Savings Association, Lincoln, Neb., 20.3%; and First Trust Corp., Denver, 20.3%. The median fund returned 16.3% and the S&P, 17.2%.

Unlike many money managers, William Hackney, First Union's chief investment officer, said his $2 billion equity portfolio is still fully invested.

Today's market is "liquidity driven, not market driven," Mr. Hackney said, adding the large volume of overseas money entering U.S. financial markets means "there's still plenty of cash to prop up stock prices."

He likes large-cap companies in the paper, chemicals, computers and industrial machinery sectors. "They're not flash-in-the-pan industries. (They'll) be leaders through the rest of the decade."

Mr. Hackney said managing money is difficult because "there are new rules to the game as far as valuation goes."

Traditional screens such as price-earnings ratios over 20, and dividend yields below 3%, for example, are no longer applicable, he said, because new depreciation schedules have surpassed reported earnings and because declining inflation rates have accelerated writeoffs in dividend interest. ■


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# Pensions & Investment Age



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*With a value set between $1.5 billion and $2 billion, the employee buy-out of Avis Rent A Car could result in one of the largest leveraged ESOPs on record.*

## $1.5 billion value put on Avis deal

**By Brad Rudin**

MORRISTOWN, N.J. — Negotiations leading to Wesray Capital Corp.'s sale of Avis Rent A Car Systems Inc. to employees could result in a transaction valued between $1.5 billion and $2 billion, giving it the potential to be one of the largest leveraged ESOPs on record.

"This is an important signal to investment bankers and the business community at large that this is a legitimate and important way


*Continued on page 76*


## S&P stocks shine; similar issues lag

**By Joel Chernoff**

BERKELEY, Calif. — Stocks included in the Standard & Poor's 500 stock index have outperformed similar stocks not included in the index by 3.25 percentage points a year since 1980, probably because of the growth of indexation, financial futures and foreign investment, according to an analysis by BARRA, a consulting firm.

What's more, other researchers are pointing to a spectacular difference of 25 to 30 percentage points in returns between S&P and non-S&P stocks in the past 12 months.

Investment experts speculate there are three factors boosting the value of S&P stocks since the beginning of the decade:

- The renewed surge of interest in S&P 500 index funds, starting in early 1980.
- The development of S&P 500 index futures in early 1982, which caused a rise in interest in all S&P 500 stocks because of emerging program trades, including dynamic hedging strategies. This caused a premium to be paid for such stocks.
- The increasing role of foreign investors, particularly the Japanese, in the equity market starting in early 1986. Many foreign investors focus on household names, which are typically S&P 500 stocks.

Pension experts differ on whether the phenomenon will continue.

**Since 1980, S&P 500 stocks have outperformed similar stocks not in the index by 3.25 percentage points a year. In the past year alone, the difference has been a spectacular 25 to 30 points.**

William Jacques, a partner of Martingale Asset Management, Boston, who came up with the idea for the research with BARRA officials, expects the 3.25-point differential will be sustained.

"My guess is it will continue, with the Japanese being the marginal investors," he said.

But Richard Grinold, BARRA's director of research, believes the trend will level off. He said the trend is "curious and I'd think about it, but I wouldn't plan the rest of my life on it."

The analysis by BARRA compared the returns of stocks in the S&P 500 index with the returns of all stocks in a universe of 1,400 high-capitalization stocks since 1980 and found the 3.25 percentage point margin compounded annually.

BARRA added a dummy variable to its uriverse to single out the S&P stocks. It found that from 1973 through 1979, performance of the S&P and non-S&P portions were virtually identical. But starting in 1980, the S&P portfolio returns dramatically increased relative to the entire universe.

In addition, BARRA demonstrated the size of the stock was not a factor. Smaller-cap stocks in the index also outperformed their non-S&P counterparts.

The index stocks had an alpha — a measure of the return in excess of the market return that is not explained by a portfolio's risk level — of 27 basis points per month for the 7½ years ended


*Continued on page 74*


## Inside:

PEAK PERFORMANCE: Not satisfied with seeking investment heights at their respective jobs with NYNEX and Security Capital Management, Bernd Hilscher, right, and Bob Brewer go to the top of Mount Rainier — Page 32.

CORPORATE FINANCE: Browning-Ferris Industries' move to increase the size of a recent convertible issue to $300 million from $250 million left a few investors with a bad taste in their mouths — Page 23.

## Funds move $8.9 billion into cash in 1st quarter

**By Jacqueline Dutton**

Pension funds liquidated a record $16.7 billion of stock and moved more than half of that amount into cash during the first quarter of 1987, and there are signs the shifts are due to increasing unease with the stock market level among pension fund executives.

According to the Employee Benefit Research Institute's Quarterly Investment Report and the Federal Reserve Board, U.S private pension funds moved $8.9 billion of the receipts from the stock sales into cash equivalents.

The report shows $7.3 billion of the proceeds was moved into other investments — such as real estate and international investments — during the first quarter. In contrast, $1.4 billion in bonds were liquidated during the period.

The massive sale of stocks in the quarter was more than double the nearly $8 billion in stock sales recorded during the first quarter of 1986.

"That's a surprisingly large number, but it's not alarming," said Donald Strazheim, chief economist at Merrill Lynch Research & Economics, New York. Mr. Strazheim said he believes the liquidation is a glitch; pension funds moved out of stocks to capture large profits in the first quarter.

"In retrospect, it was a bad time to sell stocks," he said. "But more and more people are looking at the time when the turn in the market will come."

During the first quarter of 1987, the Standard & Poor's 500 stock index returned 21.4%. The index returned 5% during the second quarter.

One of the funds cashing in on the big gains was the $3 billion General Board of Pensions of the United Methodist Church, Evanston, Ill., which sold $50 million in stocks in March, a sum that James Parker, general secretary, said is insignificant.

Mr. Parker said because of the run-up in the market, the fund took some profits, but didn't liquidate so much of its holdings as to lose ground should the market gain.

Man-Bing Sze, associate director of EBRI, a Washington-based research organization, said the huge shift out of equities and into cash comes at the tail end of a two-year trend.

"Since 1985, we have more or less seen a net withdrawal from stocks and bonds," Mr. Sze said. "A lot of it is being shifted into cash, although some of those funds may have been parked in other assets."

The EBRI study shows the fourth quarter of 1984 was the last in which there was a positive flow of funds into equities by private pension funds. A net total of $9.4 billion was injected into the stock market in that three-month period. The last quarter in which the net cash flow into bonds was positive was the first quarter of 1985, with a net total investment of $900 million.

Although many of the money managers and pension plan executives interviewed expressed surprise at the EBRI and Federal Reserve Board numbers — with some dismissing them as "suspicious" — there is an indication pension plan executives and their


*Continued on page 77*

# Equity group is realigned at GTE Investment

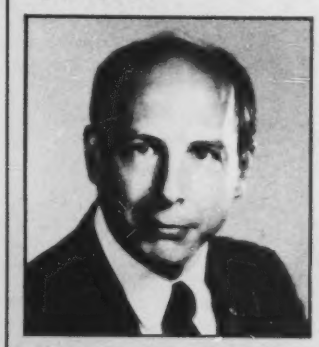
By Marlene Givant

STAMFORD, Conn. — GTE Investment Management Corp., which runs the $10 billion GTE Corp. pension fund, has realigned its equity management structure, removing the division of responsibility for traditional and non-traditional external managers and broadening internal equity management responsibilities.

The change will give several individuals more varied duties.

"I think this organization will be more directly responsive to challenges facing us in the future," said Dave Seidel, vice president-pension fund management. "It provides job enrichment and better career paths for the individuals involved."

The move follows the resignation of Greg Densmore, director of investment evaluation, who joined First Manhattan Capital Management, New York (*Pensions & Investment Age*, July 13).



*Dave Seidel says the changes will help the GTE fund cope with challenges.*

The former structure consisted of two groups, one headed by Mr. Densmore and one run by Patricia C. Doumas, formerly director of portfolio dynamics.

Mr. Densmore and three analysts were in charge of external managers, with Jayne O. Mansfield as manager of non-traditional investments.

Ms. Doumas and her staff were responsible for the internal management of less than 10% of the fund's $7 billion in equities.

In the new setup, Ms. Doumas has been named director of equities-value and real, and Ms. Mansfield has been named director of equities-growth and international.

A new position — senior analyst-international — has been created, but not yet filled.

Ms. Doumas and her staff will run internal equities using a value approach and will supervise external value equity managers and managers of real estate, oil and gas and timber equity investments.

Ms. Mansfield and her staff will internally manage growth stocks and oversee outside managers of growth stocks, international stocks, leveraged buy-outs and venture capital.

Mr. Seidel still will head both equities and non-traditional investments.

Wayne C. Hofmann, formerly the internal equities trader, who had reported to Ms. Doumas, has been named manager of equity trading and also will report to Mr. Seidel. Mr. Hofmann will retain his internal trading responsibilities, but also will start monitoring how the fund's external managers trade.

# NISF median manager hits 28.6% for 3 years

Equity managers in the National Investment Sponsor Federation performance universe had a median compound annual total return of 28.6% for the three years ended June 30, compared with 30.6% for the Standard & Poor's 500 stock index.

While the managers in the NISF universe underperformed the index, they outperformed the median of the Pensions & Investments' Performance Evaluation Report universe of bank and insurance company-managed equity funds, which was up 27.2% for the three years.

The median fixed-income fund in the NISF universe was up 18.2%, compounded annually, for the three years, compared with 18% for the Salomon Brothers Broad Investment Grade index and 17.6% for the Shearson Lehman Government/Corporate bond index. The PIPER fixed-income median for the three years was 16.3%.

The median NISF equity fund was up 3.5% in the first quarter and 24.9% in the first half, compared with 5% and 27.5% respectively for the S&P 500 index.

While the median manager in the NISF universe underperformed the S&P 500 for the shorter periods, it again outperformed the PIPER median equity manager, which returned 3.2% and 22.8% respectively for the quarter and the half.

The NISF equity returns are derived from 513 equity portfolios managed by 198 money managers for 120 pension funds representing $120 billion in assets.

The participating pension funds belong to such regional groups as the Pension Group East, the Los Angeles Pension Group, Pension Group West, Chicago Pension Forum and Pension 21 Club, all of which are NISF members.

The median fixed-income return in the NISF universe of 227 portfolios was −1.6% for the quarter, equal to the Salomon Brothers index and better than the −1.9% return of the Shearson Lehman index.

For the half, the NISF median manager had a zero return while the Salomon Brothers BIC index was −0.3% and the Shearson Lehman index was −0.4%.

The median fixed-income fund in the PIPER universe was down 1.6% for the latest quarter and 0.1% for the six months.

The NISF also reported on 75 balanced funds invested by 53 managers. The median return among those funds for the quarter was 2% and for the first half, 15.8%. ■

# Comings and goings affect 3 public funds

By Joel Chernoff and Trudy Ring

One large public pension fund lost a top executive while two others filled high-ranking spots.

● Curtis O. Townsend, deputy director of finance and pension assets manager for the $1.6 billion Philadelphia Municipal Pension Fund, is leaving the fund to join Siebel Capital Management Inc.'s New York office as a senior vice president. His last official day with the Philadelphia fund was Aug. 28, but he is staying on to help retirement board members select a successor and handle other business. He will join Siebel Sept. 14.

● In Madison, Wis., Marshall Burkes has been named executive director of the $18 billion Wisconsin Investment Board, replacing Kenneth E. Codlin, who resigned in March. Mr. Burkes, who expects to start his duties this month, has been a Washington-based consultant on international financial management for the past two years.

● Norman G. Benedict has been named deputy executive director of investments for the $7 billion Public Employees' Retirement Association of Colorado, Denver. He has been acting in that capacity on an interim basis since Norman Jaskol resigned the post in February to join Lomas Capital Management Co., Dallas.

*Curtis Townsend is leaving the Philadelphia Municipal fund for Siebel Capital Management.*

Mr. Townsend, who has spent almost four years at the Philadelphia fund, will market to public pension funds in the United States and abroad, and will help set the firm's investment strategy.

He said the move to Larkspur, Calif.-based Siebel will allow him to "expand my craft" and satisfy financial needs of his family.

Prior to joining Philadelphia, he was deputy treasurer for the state of Michigan's bureau of finance, where he oversaw the state's internally managed pension fund, which had $8.2 billion in assets when he left.

Since Mr. Townsend joined the Philadelphia fund in January 1984, it has grown tremendously and revamped its allocation strategy.

During the period, the assets rose 137%, from $675 million. In the same time, exposure to equities soared to 49.5% from 6%.

"What I tried to do was reduce our exposure" to bonds, and "cherry-pick" stocks in the uneven 1984 market, he explained.

Legal limitations restrict the fund to being 50% invested in stocks, but fund officials are seeking to boost that ceiling to at least 60%, Mr. Townsend said.

Bond investments have shrunk to 46% of the portfolio from 79% in January 1984. The fund also has added real estate and venture capital components; with cash and miscellaneous investments, they comprise the remaining 4.5% of fund assets.

An initial foray into international stocks also is "quite imminent," Mr. Townsend said. He is recommending allocating 7% to 10% of plan assets to the area during the next few years, divided among at least three types of managers: an index manager, a

*Continued on page 78*

# 7 leaving Rothschild Int'l

By Marlene Givant

LONDON — The chief investment officer and six of 18 members of the international equity investment team of N.M. Rothschild International Asset Management Ltd. have resigned, reportedly to set up their own shop.

In response to the departures, Rothschild International, which manages a total of $1.5 billion (about $700 million in equities) for U.S. tax-exempt clients, has consolidated investment decision-making with the fixed-income and currency group and international natural resource mutual fund management team of Rothschild Asset Management Inc., New York.

Richard Katz, head of Rothschild Asset Management's fixed-income and currency group, has been named chief executive officer of Rothschild International and will direct the merged investment management operation, which will run more than $7 billion. Rothschild Asset Management Holdings, the holding company for both firms, has about $17 billion globally under management. RAM Holdings had been planning such a consolidation for some time, although Rothschild International will continue to operate separately in line with Securities and Exchange Commission guidelines, according to Nick McAndrew, managing director of Rothschild Asset Management, London, which manages mainly U.K. money.

Those resigning include three senior officials — James Heyworth-Dunne, chief investment officer; Richard Chandler, director and senior portfolio manager covering the United States; and Andrew Baker, assistant director and portfolio manager-U.S.

Luke Nunneley, portfolio manager-Europe; Florian von Hirsch, portfolio manager-Europe; Piers Bertlin, portfolio manager-Japan; and Richard Bronk, portfolio manager-Europe, also gave notice. All had been with the firm for at least two years except for Mr. Bronk, who worked at Roths-

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**Equity ■ Balanced ■ Fixed Portfolios**

# Buck sets merger with European firm

By Brad Rudin

NEW YORK — Buck Consultants Inc., New York, has announced a merger with Michael Dunhill International Consulting Actuaries, Brussels, Belgium.

The merger of Buck, which employs more than 900 people, and Michael Dunhill, which employs 30, gives Buck a European presence in the actuarial arena at a time when its major U.S. competitors have offices in Continental Europe.

"This is an historic and happy occasion for Buck," said Mircea Manicatide, assistant to the company's president.

Terms of the transaction were not disclosed.

The European operation, to be known as Buck Consultants S.A., is to be headed by Michael Dunhill. It will have offices in Antwerp, Belgium; Brussels; and Paris. William E. Giegerich remains president and chief executive officer of Buck Consultants.

The merger adds to the list of financial services firms that have made trans-Atlantic mergers.

The internationalization of business calls for a presence in Europe, Mr. Manicatide said. "You want to be on the spot."

Establishing Buck offices in Europe without merging with a local firm had been considered, Mr. Manicatide said. The merger "saves us the very hard work of starting from scratch," he said.

The two firms fit well because some of Dunhill's clients in Europe are U.S. companies that require actuarial services for their domestic operations, Mr. Manicatide said.

Other overseas merger opportunities are being considered by Buck, although another transaction is not imminent, he said.

Buck's entrance onto the international playing field did not cause great concern among its competitors.

"Most of our competitors — and now Buck — have found it the best way of doing business," said H. Richard Souders, a vice president at Johnson & Higgins, New York. "We find it important to have representatives on the local scene. We get a better response by having a local presence."

"We have found that the major constraint in the consulting business is finding good people. That is the limitation, rather than another good firm in the market," said Donald Boden, deputy chairman of William M. Mercer Fraser Ltd., London, the European subsidiary of William M. Mercer Inc.

Buck, with 1986 revenue of $79 million, stands as the sixth-ranked benefit consulting firm in the United States, according to Business Insurance magazine.

Benefit consulting revenue climbed 11.3% during 1986 from $71 million, the magazine reported in its Dec. 22 issue. ■

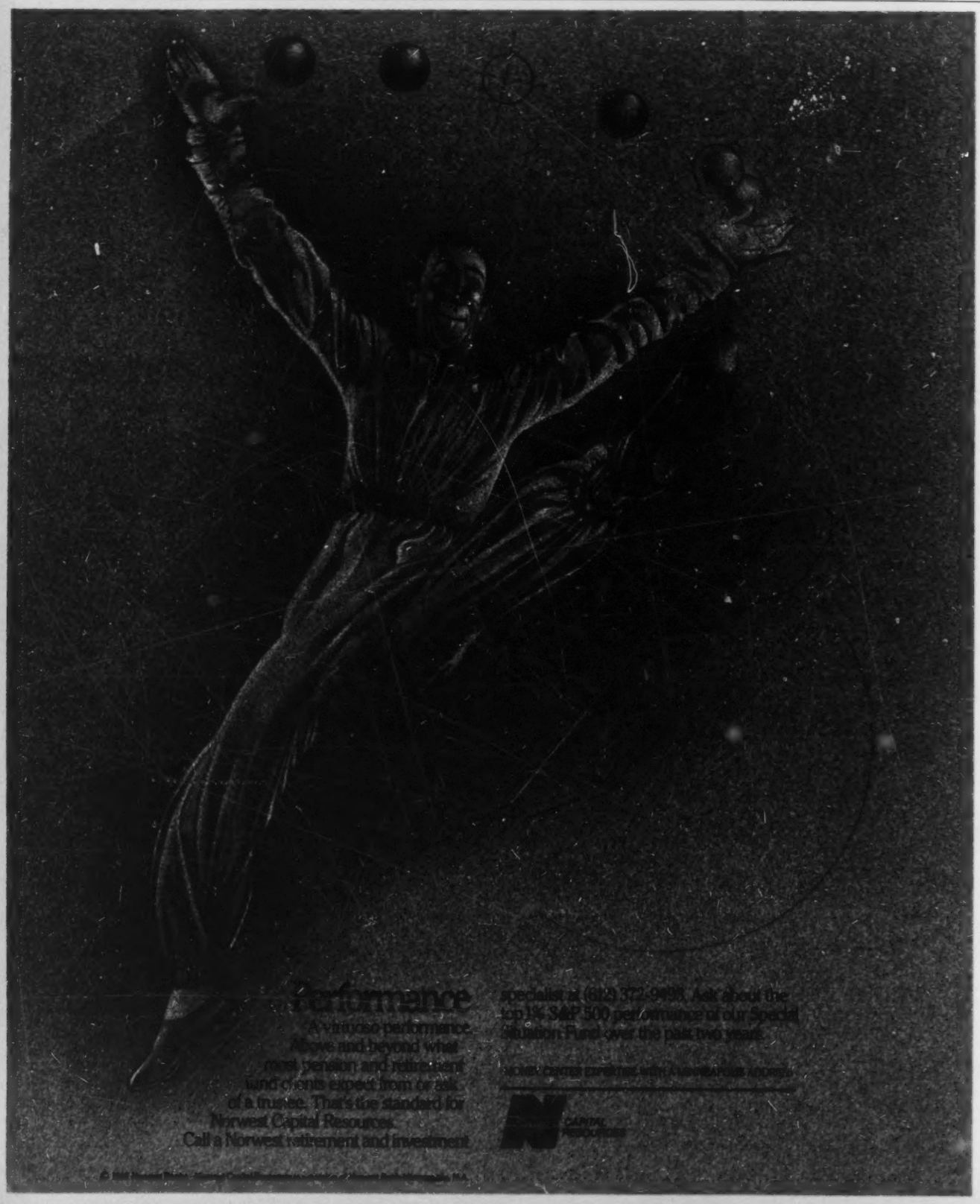
## Corrections & clarifications

• An Aug. 10 story about property writedowns made by the RREEF Funds might have given the wrong impression about remarks made by **William J. Grady,** vice president and portfolio manager for **CIGNA Investment Inc.** Mr. Grady's comments were addressed to the general process of appraising properties; he did not comment specifically about RREEF's actions.

• In the Aug. 24 PIPER equity rankings, **Meridian Asset Management,** Valley Forge, Pa., was inadvertently listed by its former name, Central Penn, Pa.

• The Aug. 24 story on the **Pitcairn family** of Philadelphia incorrectly listed the titles of John Turbidy and Dirk Junge. Mr. Turbidy is president and chief executive officer of Pitcairn Financial Services. Mr. Junge is executive vice president.

The cash management survey will be published in the Nov. 2 issue of *Pensions & Investment Age.*



## Opinion

# Pension execs want results

DURING THE FIVE YEARS through June, assets invested in the stock market grew at a 27.9% average compound annual rate. During the same period, the amount of pension fund equity assets invested through index funds grew at a 61% compound annual rate.

The amount of equity assets in index funds with investment management firms totaled $109 billion at midyear, with perhaps another $20 billion managed internally for a total of almost $130 billion.

This amounts to about 11% of pension fund equity assets. No longer can indexing be considered a fad.

Pension executives deciding to index their assets have been reacting to 10 years of poor active manager performance heightened by high active management fees at a time when corporate cost-cutting is in vogue.

In the past 10 years, only about 30% of active managers have beaten the Standard & Poor's 500 stock index, and in the past five years, only about 20%.

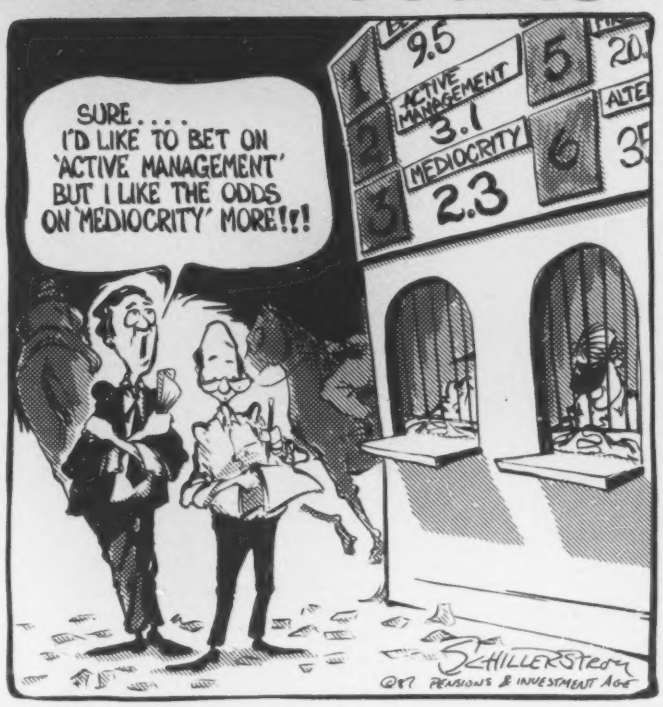
Many pension executives have decided that if they have less than one chance in three of selecting a manager who can beat the S&P 500, the expected incremental return from doing so is not sufficient to make the effort worthwhile, either for their fund, or for themselves professionally.

If these pension executives have "settled for mediocrity" as some charged in the early days of indexing, then mediocrity has paid off.

The trend to indexing will continue at a strong pace until there is a prolonged bear market, or until active managers change their ways.

A recent Trust Universe Comparison Service report showed active managers do provide incremental returns over the market in the stock selections and in their sector weightings, but give it all back through their cash positions and their trading costs and fees.

Too often, money managers who are hired to be aggressive and fully invested allow cash to build up in their portfolios,




either intentionally or unintentionally.

Often they are trying to hedge against losing their accounts by using a cash position to minimize losses if a bear market should suddenly develop.

Active managers are supposed to earn their extra fees by taking a different risk profile from the market. Offsetting that different profile by a high-cash position is trying to gain the high fees without really earning them.

At least, that's they way some pension executives have interpreted it, and they're not willing to go along any more.

# Master custody growth questioned

FOR THE SPECIAL REPORT on master trusts in this issue, *Pensions & Investment Age* asked the largest master trust banks how much they had in master trust and master custodial assets.

Master trusts were defined as providing trust, unitized accounting and reporting services, performance measurement and ancillary services to companies that have one pension plan and several managers, or several pension plans and several managers.

Master custody arrangements were defined as providing all the services of a master trust agreement, but without legal trusteeship, to such entities as public pension funds, endowments and foundations.

The master trust asset figures provided by the banks, $1.3 trillion, accounted for about 83% of all pension and profit-sharing assets, and seems to agree with estimates the master trust business is virtually saturated. The remaining assets are probably held by funds too small to have master trustees.

However, the total of master custodial assets claimed by the banks appears larger than it ought to be. With public funds totaling about $548 billion, and endowment and foundation assets totaling an additional $100 billion, the total master custody universe seems likely to total no more than $700 billion.

Thus the banks seem to have 82% of that market covered, although most experts say it is a far less mature market than the master trust assets.

Either the master custody universe is larger than *P&I Age* estimates, or it is more mature than the industry believes.

## Letters to the editor

### Information updated

To the Editor: I'd like to take this opportunity to update information The New England provided in the May 25 directory on our newest investment affiliate, Back Bay Advisors Inc.

Back Bay Advisors was formed in 1986 to capitalize on existing fixed-income management capabilities at The New England and to expand its marketing activities in the institutional marketplace.

Back Bay Advisors is a risk-control fixed-income manager with capabilities in intermediate bonds, high-yield bonds, contingent immunization, indexing and futures and options.

In addition to managing all the publicly traded securities in the corporate general account, Back Bay manages fixed-income separate accounts as well as non-insurance related assets, including more than $1.2 billion in the form of fixed-income mutual funds. Total assets under management top $3.7 billion.

Charles T. Wallis, is president and chief executive officer. Clients also may contact Antwine Jefferson III, vice president and national sales director of the institutional investment group.

**Kathleen R. Sammis**
Vice president
The New England
Burlington, Mass.

### Morley corrects data

To the Editor: We feel it is important to inform *Pensions & Investment Age*'s readers of several errors in the Aug. 24 story, "Active GIC specialists growing despite doubts."

First, Morley Capital Management was listed as having $990 million under management. The correct amount really is $1.6 billion under discretionary management plus about $550 million in non-discretionary management.

Secondly, our president, Hal Morley, actually pioneered the use of GICs in discretionary accounts in 1974 while the head of fixed-income management for First Interstate Bank of Oregon.

Thirdly, we began active GIC management in early 1983.

Morley Capital has a staff of 22 highly trained professionals, compared to an industry average of fewer than 10. The article implies it is neither possible nor important to differentiate among approaches to insurance company credit analysis.

We disagree. Credit analysis, like portfolio management, requires a thorough knowledge of the industry, a sophisticated analytical approach, and sufficient staff resources to meet fiduciary responsibilities. It cannot be done out of someone's hip pocket.

**J. Thomas Morrow**
Executive vice president
Morley Capital Management
Lake Oswego, Ore.

*Editor's note: The asset figures and year the firm was registered were obtained from a Morley executive.*

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# Real Estate

## Specialty investors post highest returns

By Steve Hemmerick

Specialty funds that invest in particular property types and small funds with as few as three properties are reporting the highest returns among commingled equity real funds, Pensions & Investments' Performance Evaluation Report shows.

The higher returns of the less diversified funds — both by property type and geographic location — coincide with the move by some investors away from the larger, broadly diversified commingled pools that are regarded to be index funds for real estate.

For the 12 months ended March 31, the report showed Metropolitan Life Insurance Co., New York, Closed End Fund II returned 17.9%, and was the top-performing closed-end fund. It has $77 million in assets and three properties.

The top-performing open-end fund, Citicorp, New York, Real Estate Equity Fund, had a 19.8% return for the same period. The $300 million fund is highly leveraged.

JMB Institutional Realty's Group Trust I, Chicago, with $390 million in assets, had about 60% invested in retail properties, far above the 25% or less usually invested in retail. It returned 16.7% for the year ended March 31.

While some of the small and specialty funds turned in high performance numbers for the past 12 months, one of the largest and most diversified funds, the $4.6 billion Prudential Realty Group, Newark, N.J., PRISA I fund had a 4.6% return, and finished in the ninth decile.

PRISA I had returned 8% for the previous 12-month period.

The PRISA fund includes office, retail and industrial property nationwide, with an emphasis on office, but it has little leverage, development or geographic concentration. PRISA I is often considered a bellwether for real estate.

While lack of appreciation is hurting most commingled fund performance, the high-scoring funds had high appreciation. This raised questions from some managers about how these funds could be scoring so high in today's depressed real estate market.

The appreciation for the Metropolitan Closed End II fund was about 9.5%, just slightly more than 50% of the fund's reported total return number, but the appreciation figure used in calculating the total return number was carried forward from the previous three months.

"Appreciation is not recalculated except at year end. Whatever the previous year's appreciation had been, calendar year 1986, plus income" is used as the total return number, said Bruce Kosakowski, national director for Metropolitan Realty.

"Until Dec. 31, 1987, they will just carry the old appreciation number because it won't be recalculated. We do not recalculate either gain or loss until each year's fourth quarter, so in calculating an annualized rate of return, what is done is the last year's appreciation is taken and the trailing four quarters of income," he said.

About whether carrying appreciation figures forward into the next year is unusual, Mr. Kosakowski said, "When we are marketing this, we are dealing with calendar years, that is what we are reflecting to our clients, and in terms of looking at current performance, we would just stress looking at the first quarter's income.

He said using an annualized return with an appreciation number that lags "is misleading to an extent because it is a snapshot of appreciation that goes back to December 1986, so we are not stressing that in terms of our closed-end funds." Met Life uses current income but appreciation that lags, in this case by a quarter but, at other times of the year, by as much as three quarters.

Many closed-end fund managers, he said, don't appraise properties every quarter "because, in effect, the closed-end structure neutralizes any appraisals. They are not unit values that you can cash in or cash out of the way you can with an open-end fund."

One or more of the three properties in the Metropolitan fund could have, in effect, more than 12 months appreciation in its total return figure, explained Mr. Kosakowski.

He said a commingled fund can commit to a new property before it is fully leased and, therefore, pay an attractive price. "By the time it came to actually fund the dollars, it (the property) was fully leased, so it was a very attractive increase in value (appreciation) as the property went from a speculative construction project to a

*Continued on page 18*

## $3 billion invested in multiple lender securities market

By Marcia Parker

WASHINGTON — The Federal National Mortgage Association's newest mortgage-backed securities product, multiple lender mortgage-backed securities pools, is off to a good start.

The first pools were introduced in January. The latest $315 million issue by Fannie Mae in July pushed the fledgling market past the $3 billion mark in eight months.

Dubbed Fannie Majors, Fannie Mae devised the relatively simple idea of pooling mortgages from many different lenders, in part to make the market more efficient.

Previously, loans from a single lender backed mortgage-backed securities. In the single-lender pools, lenders had to have a minimum of $1 million in mortgages to participate. In the multiple-lender pools, they need only $250,000 in mortgages.

Fannie Mae issues the securities to mortgage lenders, who either hold them or sell them through Wall Street investment houses.

Investors and securities dealers have been paying higher prices for the larger pools. The larger pools reduce their trading and transaction costs.

Wall Street dealers say the new securities have been well received in the market, and they expect the market to grow significantly in the future.

Investors are attracted to the securities because larger pools are created with greater geographical diversity, reducing the volatility of prepayments and lowering trading costs.

In addition, the seasoning requirement for mortgages means the loans have homogenous features. The mortgages in each pool carry the same coupon; must be long term; must be 25- to 30-year conventional mortgages; must be single family; must be fixed rate; and must be no more than 12 months old on the issue date.

The market for multiple lender mortgage-backed securities pools is large. More than 900 individual pools, totaling $2.5 billion, were originated each month in the fourth quarter of 1986. Those same pools could have resulted in several multiple lender pools, each as large as $400 million to $500 million.

As a result of the multiple lender pools, trading in new mortgages and the securities that back them becomes simplified. Investors then are able to combine large pieces of single pools and reduce the costs of tracking and adjusting for prepayments.

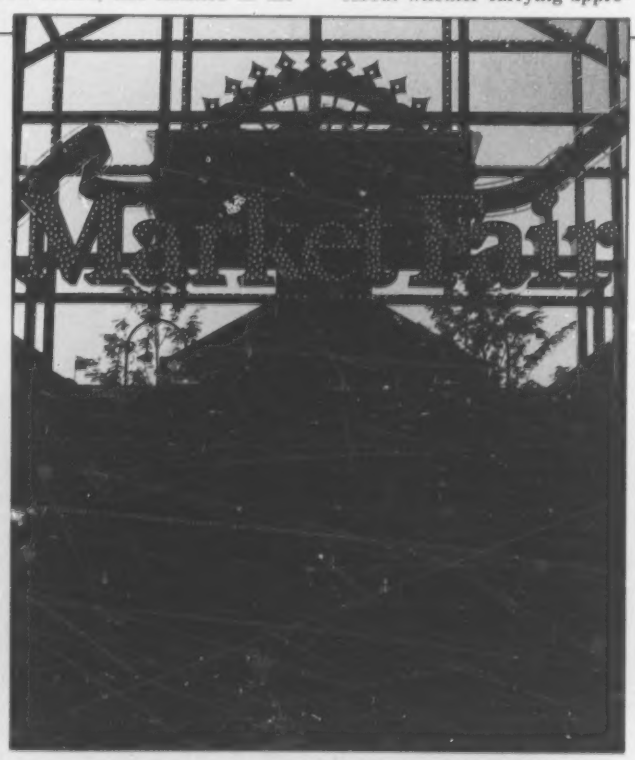
Robert J. Levin, Fannie Mae senior vice president for mortgage-backed securities, said the main difference between single-lender pools and multiple-lender pools is that mortgages are contributed by many different lenders, which makes for larger pool sizes and greater geographical diversity.

In return for providing loans for the pools, the lender gets a mortgage-backed security representing a share of a larger pool. The share is proportionate to the amount of mortgages contributed to the pool.

Lenders who have participated in the program say that it has been relatively painless and there are no new requirements.

A separate commitment is not needed and most lenders can use existing commitments. Lenders don't have to let Fan-

*Continued on page 16*




*MarketFair, a Princeton, N.J., mall geared to upscale shoppers, is the subject of a $41.5 million participating mortgage financed by five pension and endowment funds.*

## 5 plans back mall mortgage

PRINCETON, N.J. — The more than $6 billion U S WEST Inc. pension fund, Englewood, Colo., and the approximately $2 billion Stanford University endowment, Palo Alto, Calif., are among five pension funds and endowments that have committed a $41.5 million to a participating mortgage for a specialty store mall in Princeton, N.J.

The investors are committed subject to the mall meeting leasing and net income objectives, said Joshua M. Brown, managing partner at FS Realty partners, Houston, the investment manager for the deal. He would not disclose those objectives.

He said the mall will consist solely of specialty stores targeted to higher-income shoppers. He expects it to do well because of Princeton's strong growth rate and high income levels.

The 237,000-square-foot Princeton MarketFair, which opened in mid-August, is co-anchored by Cohoes, a Cohoes, N.Y.-based upscale department store, and SuperSports USA, a sporting goods store that represents the first move to the north by Oshman's Sporting Goods Inc., Houston.

The mall was developed by JMB Federated Realty Co., Cincinnati, in a joint venture with The Landis Group, Lawrence, N.J., which had owned the 37 acres on which the mall is built. Representatives from JMB were unavailable for comment.

Larry Owen, a real estate investment officer at Stanford, said the demographics of the Princeton area are "outstanding" for this kind of mall.

One consultant, whose clients weren't involved in the deal, said he likes the concept of an upscale shopping center, and he considers the Princeton area the right location for it. One downside, however, is the need for heavy capital improvements to maintain the mall's trendy appearance, the consultant said.

### Heitman cuts staff

CHICAGO — Heitman Financial Ltd., Chicago, trimmed its work force by about 5% after a regular staffing review, confirmed Norman Perlmutter, chairman of the board.

The reduction was "not significant," Mr. Perlmutter said, and was confined mainly to clerical positions in the property management area.

He said the cuts were made to maintain an entrepreneurial atmosphere in the firm, which employs about 400 people.

"Our business is the strongest it has ever been and I want to keep it that way," Mr. Perlmutter said.

"We just go through a regular analysis of our staffing of the departments," he said. "With all the growth we've had lately, you tend to get a little fat." The firm has added about $1 billion in new assets during the past year, he said.

Mr. Perlmutter also said while specific numbers were not immediately available, he would be surprised if the staff cuts reached the 5% level.

"We shifted some people around, too. It wasn't just letting people go," he said.

The firm also recently installed a new computer system that reduced staffing needs. "While you're developing (the computer system), you have to run the operations in tandem — both manually and on computer," he said.

Heitman Financial is the parent company of Heitman Advisory Corp., with $3.99 billion in tax-

*Continued on page 16*

# Mortgage . . .

*Continued from page 15*
exempt real estate assets under management. Other subsidiaries include Heitman Financial Services Ltd. and Heitman Properties Ltd.

## Investors seek niches

BALTIMORE — Look for investors to increasingly turn to specialty real estate funds to boost sagging returns from more broad-based funds, said Robert H. Gidel, president of Alex. Brown Realty Advisors, Baltimore.

This search for niche markets, he said, is the next investment wave, following earlier moves into large commingled funds and individual separate accounts.

The current move into apartment, land and rehabilitation funds is part of this larger movement into funds with narrow investment targets.

Such a movement could signal a fundamental shift among investors to picking and choosing individual properties, rather than strategies.

Pension fund investors began with broadly diversified open-end commingled funds, then moved to closed-end funds and separate accounts that invested in several geographical and property types.

For investors with have good core portfolios, Mr. Gidel sees the present movement toward highly specialized funds as a good idea.

In response, his firm is coming out with a niche fund he wouldn't describe, which will be primarily based in Washington, very near his firm's headquarters in Baltimore. Alex. Brown has also recommended the Oregon Public Employes Retirement System, one of its clients, place $10 million in assets with a retail mall fund, Retail Property Trust, in which J.W. O'Connor, New York, is the general partner.

## Developer sets sub

CHICAGO — Murdoch & Coll Inc., a Chicago developer, has formed an investment management subsidiary to manage pension assets, said Todd W. Lillibridge, executive vice president.

The subsidiary will handle separate accounts and might launch a commingled fund. Money under management will be used for acquisitions and developments by Murdoch & Coll. No commitments have been made yet, however.

Mr. Lillibridge said the firm entered the money management business because tax reform has removed much of the privately placed investments in real estate and "made it more important for us to get our arms around pension funds."

Murdoch & Coll has used pension money before, mainly channeled through Trident/Meyer Real Estate Advisors, Anaheim, Calif.

## Construction falling

HOUSTON — Construction of office space in the United States is declining, according to a semiannual survey of 2.5 billion square feet of office space by The Office Network, Houston, a real estate services firm.

Of major cities, only Los Angeles has more office construction under way than at the end of last year, said Stephen A. Marmion, president.

Eight U.S. markets have more than 5 million square feet of construction under way, and four cities — Forth Worth, Denver, New Orleans and Jacksonville, Fla. — have no office construction going on in the central business district.

Washington had the most construction, with 18.1 million square feet under way. Los Angeles had 13.8 million square feet; Chicago, 13.3 million square feet; Manhattan, 9.2 million square feet; and London, 8.2 million square feet.

Washington is down 10% from 20.1 million square feet in the second half of 1986.

"U.S. construction is obviously on a downward plane," Mr. Marmion noted.

The survey also showed office vacancy rates increased to 19.3% from 18.6% at the end of 1986.

Mr. Marmion said the vacancy rate "showed only a minor increase," and he predicted another slight increase by the end of the year, with a stabilization in 1988.

Manhattan's 11.3% office vacancy rate is the lowest rate for a major office center in the nation, the survey reported.

Chicago was the leading U.S. city in absorption rates with 6.4 million square feet absorbed, ranking second worldwide; London was first, with 6.5 million square feet absorbed.

Total U.S. absorption stood at 40.5 million square feet in the first half of 1987, compared to 77.4 million square feet for all of 1986.

Mr. Marmion explained: "U.S. absorption remains strong, indicating continued demand for office space. Nevertheless, there is a five-year supply of space on the market at current absorption rates."

Boston and Los Angeles round out the top five cities for absorption in the 42-city survey, which includes cities in the United States, Austria, Canada, England, The Netherlands and West Germany.

# Invest . . .

*Continued from page 15*
nie Mae know they are participating until they deliver their pool packages.

Because Fannie Mae uses the book-entry system and doesn't issue the securities itself, it doesn't know who is investing in the pools. However, just about any institution that invests or wants to invest in mortgage-backed securities is a potential investor in the multiple-lender pools. Investors run the gamut from insurance companies to pension funds.

Fannie Mae's first multiple-lender pools were created in January. About 60 lenders contributed almost $250 million in loans to six pools that ranged in size from $10 million to $97 million, with two pools for each coupon of 8.5%, 9%, and 9.5%.

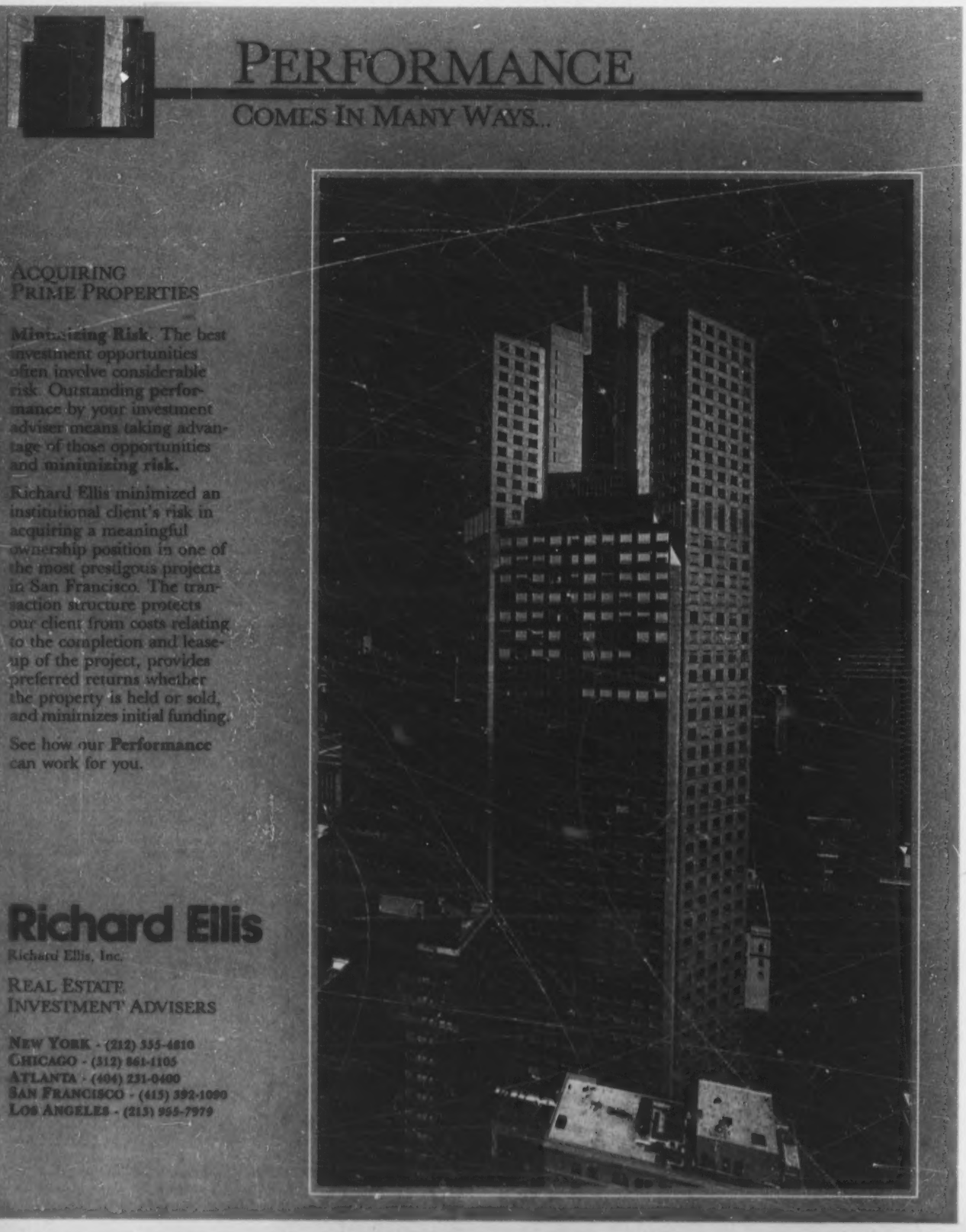
By April, 118 lenders had contributed more than $500 million in loans. In May, Fannie Mae issued some $700 million in Fannie Majors and about 150 lenders participated. July's $315 million issue attracted more than 150 lenders.

"The program is taking off. We think it's a win-win situation for lenders and investors," Mr. Levin said, adding that as the program becomes better known and understood he thinks it could develop into a "multibillion-dollar market."

Investors think the market for multiple-lender pools will increase dramatically in the years to come.

"I think it's a great deal. The potential is huge," one major insurance company executive said.

Fannie Mae is running seminars for investors to get the word out and is about to begin a major advertising campaign that will feature its newest mortgage-backed securities product. ■

# Specialty . . .

*Continued from page 15*

(fully) leased situation."

In the three properties in his fund, the appreciation component of the one-year PIPER return actually represents 18 months of appreciation.

He said he also expects appreciation will be high in 1987, though he is not able to say whether it will be as high as 1986.

The buildings in the fund are office buildings in Miami and San Diego, Calif., and an industrial building in Santa Ana, Calif.

For Chase Investors Management Corp., New York, Chase Bank Real Estate Investment Fund, the appreciation figure is carried even further forward since the last appraisal was done Sept. 30. It has $80 million in assets and six properties and returned 17% for the 12 months.

Part of the reason that the Chase fund did so well, said Fran Decker, a vice president for Chase, might be a function of that appraisal process. "As of Sept. 30 we have our properties appraised, so the March number would be a combination of our appreciation that was recognized from Oct. 30, 1985 through Sept. 30, 1986."

If there were a re-appraisal today, Mr. Decker said, he doesn't believe the total value of the fund would decrease. As with the Metropolitan fund, none of the properties is in the energy belt, where sharp writedowns are occurring.

During the last appraisal period for Chase, said Mr. Decker, property prices were generally rising because of foreign dollar investment and efforts to buy and sell properties before tax reform took effect. He thinks they are continuing to increase, though maybe not as much as in the past fiscal year for the Chase fund.

For the Citicorp fund, internal or independent appraisals are done quarterly, according to John Kemble, vice president. Of the 19.8% return, about 14.2% came from appreciation.

About 50% of the appreciation, he said, came from the sale in 1986 of two Century City, Calif., office buildings for $230 million to Japanese investors. Also, he said, rents were driven up to $27 per square foot from about $10 on an office building at 633 Third Ave., New York.

Last September, he said, the fund had seven properties, but now has 12. Cash from the sale of the Century City buildings and refinancing of the Third Avenue building was used to buy five other properties, four of which are shopping centers.

Mr. Kemble said he expects the fund to have good appreciation in the future, but not as high as it has been.

The high-scoring JMB Group Trust I also has four regional malls and no investments in the energy belt.

A key reason why the fund has done so well, said Ted Stern, JMB executive vice president, is officials saw trouble several years ago in the office market and decided to place a higher emphasis on retail.

Properties in the trust are appraised quarterly by in-house or independent appraisers, he said. ■

## Real Estate open-end funds

### Periods ended March 31

### 1-year returns

| | % |
|---|---|
| Citicorp, N.Y. | 19.8 |
| Chase Manhattan, N.Y. | 17.0 |
| Copley (Dev. prop.), Mass. | 15.7 |
| Prudential (PRISA II), N.J. | 15.6 |
| Morgan Guaranty, N.Y. | 13.8 |
| Metropolitan Life (Tower), N.Y. | 13.4 |
| Wells Fargo Realty, Calif. | 12.6 |
| NCNB Nat'l Bank, N.C. | 12.1 |
| Sanwa Bank (F), Calif. | 12.0 |
| Phoenix Mutual, Conn. | 11.5 |
| Third Nat'l Nashville | 10.3 |
| Prudential (MORISA) N.J. | 9.9 |
| Metropolitan Life, N.Y. | 9.7 |
| United Virginia Bank | 9.5 |
| Bank of Boston | 9.2 |
| Prudential (PRIMOR), N.J. | 8.8 |
| Massachusetts Mutual | 8.8 |
| Bank One Trust Columbus, Ohio | 8.7 |
| Equitable Life (Prime prop.), N.Y. | 8.7 |
| Union Labor Life (J), D.C. | 8.4 |
| Harris Trust (Inc. prop. F), Ill. | 8.4 |
| CIGNA Corp., Conn. | 8.3 |
| Aetna Life & Cas. (PMSA) | 8.1 |
| Wachovia Bank, N.C. | 8.1 |
| Principal Mutual Life, Iowa | 8.0 |
| Aetna Life & Cas. (RESA) | 7.6 |
| Sun Bank, Fla. | 6.7 |
| Prudential (PRISA), N.J. | 4.6 |
| First of Chicago (F) | 4.4 |
| **Consumer Price Index** | **3.1** |
| Mutual Benefit Life (VCA-5), N.J. | 1.2 |
| Seafirst Bank, Wash. | −4.5 |
| First RepublicBank, Texas | −8.8 |
| InterFirst Bank Dallas | −19.8 |

### 3-year returns

| | % |
|---|---|
| Copley (Dev. prop.), Mass. | 18.7 |
| Citicorp, N.Y. | 15.8 |
| Chase Manhattan, N.Y. | 15.6 |
| Prudential (PRISA II), N.Y. | 15.2 |
| Phoenix Mutual, Conn. | 15.0 |
| Morgan Guaranty, N.Y. | 14.9 |
| Prudential (MORISA), N.Y. | 14.2 |
| NCNB Nat'l Bank, N.C. | 14.0 |
| Union Labor Life (J), D.C. | 13.7 |
| Prudential (PRIMOR), N.J. | 13.2 |
| Metropolitan Life, N.Y. | 11.8 |
| CIGNA Corp., Conn. | 11.8 |
| Metropolitan Life (Tower), N.Y. | 11.7 |
| Bank One Trust Columbus, Ohio | 11.7 |
| Mutual Benefit Life (VCA-5), N.J. | 11.6 |
| Wells Fargo Realty, Calif. | 11.3 |
| Wachovia Bank, N.C. | 11.2 |
| Aetna Life & Cas. (PMSA), Conn. | 10.8 |
| Bank of Boston, Mass. | 10.8 |
| Harris Trust (Inc. prop. F), Ill. | 10.6 |
| Equitable Life (Prime prop.), N.Y. | 10.5 |
| United Virginia Bank | 10.4 |
| Massachusetts Mutual | 9.9 |
| Aetna Life & Cas. (RESA), Conn. | 9.6 |
| Third Nat'l Nashville, Tenn. | 9.5 |
| Sun Bank, Fla. | 9.4 |
| Principal Mutual Life, Iowa | 9.4 |
| First of Chicago (F), Ill. | 9.1 |
| Sanwa Bank (F), Calif. | 8.5 |
| Prudential (PRISA), N.J. | 8.3 |
| First RepublicBank (Eq.), Texas | 3.8 |
| Seafirst Bank, Wash. | 3.1 |
| **Consumer Price Index** | **3.0** |
| InterFirst Bank Dallas | −1.7 |

### 5-year returns

| | % |
|---|---|
| Copley (Dev. prop.), Mass. | 21.5 |
| Morgan Guaranty, N.Y. | 17.7 |
| Union Labor Life (J), D.C. | 16.2 |
| NCNB Nat'l Bank, N.C. | 15.8 |
| Prudential (MORISA), N.J. | 15.3 |
| Phoenix Mutual, Conn. | 15.2 |
| Chase Manhattan, N.Y. | 14.8 |
| Prudential (PRIMOR), N.J. | 14.6 |
| Prudential (PRISA II), N.J. | 14.4 |
| Aetna Life & Cas. (PMSA), Conn. | 13.8 |
| Metropolitan Life (Tower), N.Y. | 13.7 |
| Mutual Benefit Life (VCA-5), N.J. | 13.7 |
| Metropolitan Life, N.Y. | 13.1 |
| CIGNA Corp., Conn. | 13.1 |
| Citicorp, N.Y. | 12.2 |
| Bank of Boston, Mass. | 12.1 |
| Bank One Trust Columbus, Ohio | 11.8 |
| Equitable Life (Prime prop.), N.Y. | 11.7 |
| United Virginia Bank | 11.2 |
| Wachovia Bank, N.C. | 10.9 |
| Sun Bank, Fla. | 10.4 |
| Aetna Life & Cas. (RESA), Conn. | 10.3 |
| First of Chicago (F), Ill. | 10.3 |
| Principal Mutual Life, Iowa | 10.3 |
| Massachusetts Mutual | 10.1 |
| Wells Fargo Realty, Calif. | 10.1 |
| Third Nat'l Nashville, Tenn. | 10.0 |
| Prudential (PRISA), N.J. | 8.8 |
| First RepublicBank (Eq.), Texas | 6.7 |
| Seafirst Bank, Wash. | 6.0 |
| InterFirst Bank Dallas | 4.3 |
| **Consumer Price Index** | **3.5** |

### 10-year returns

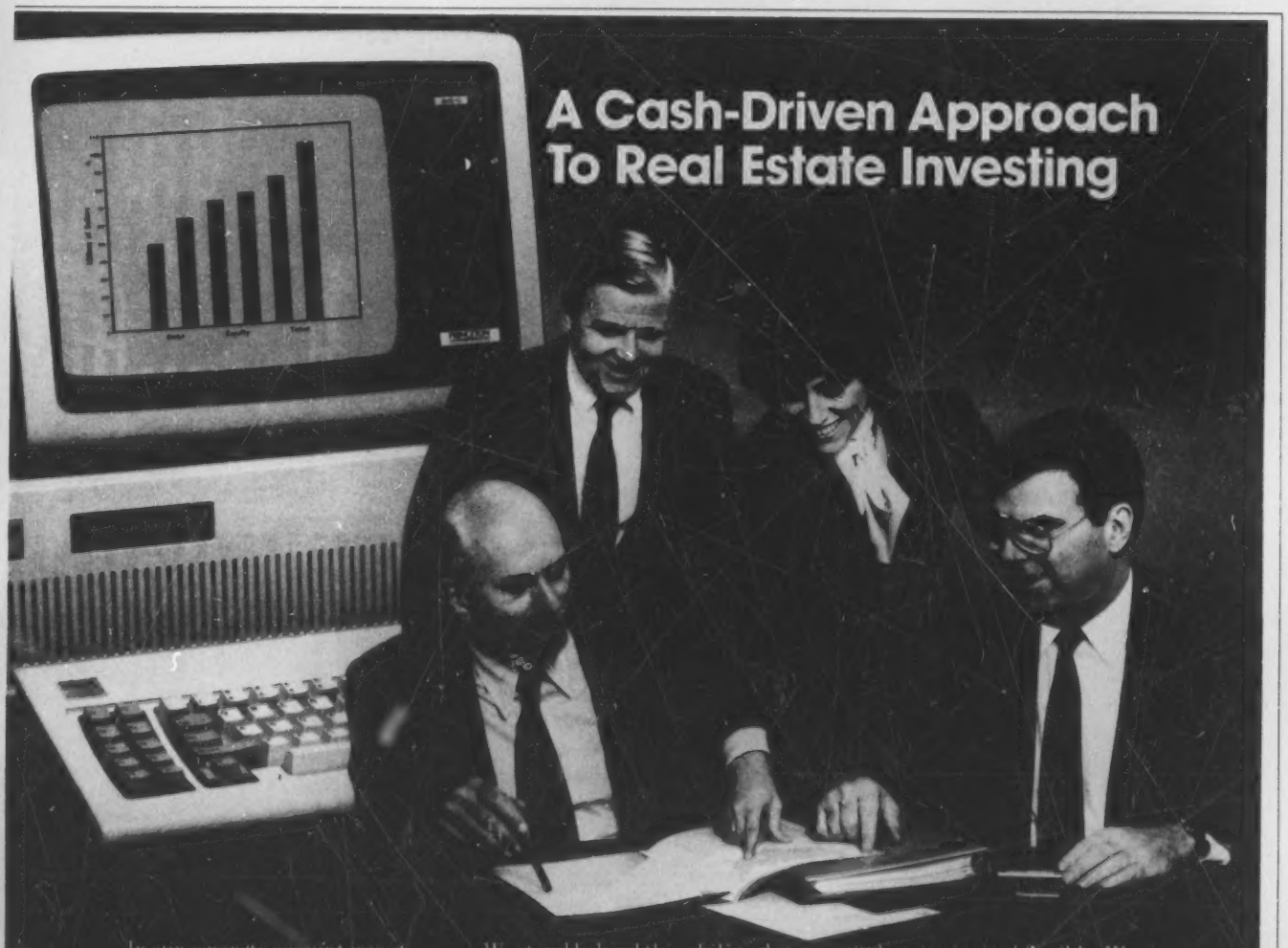
| | % |
|---|---|
| Morgan Guaranty, N.Y. | 18.8 |
| Wachovia Bank, N.C. | 14.9 |
| Prudential (PRISA), N.J. | 14.1 |
| NCNB Nat'l Bank, N.C. | 13.8 |
| Metropolitan Life, N.Y. | 13.5 |
| Equitable Life (Prime prop.), N.Y. | 12.9 |
| Wells Fargo Realty, Calif. | 12.5 |
| Bank of Boston, Mass. | 12.0 |
| First of Chicago (F), Ill. | 11.9 |
| **Consumer Price Index** | **6.6** |

## Real Estate closed-end funds

### Periods ended March 31

### 1-year returns

| | % |
|---|---|
| Metropolitan Life (II), N.Y. | 17.9 |
| JMB Institutional (I) | 16.7 |
| TCW Realty Advisors (II), Calif. | 16.3 |
| LaSalle Advisors (LF II), Ill. | 15.8 |
| JMB Institutional (II) | 15.5 |
| TCW Realty Advisors (I), Calif. | 12.3 |
| CIGNA Corp., Conn. | 11 9 |
| State Street Bank (I), Mass. | 11 8 |
| Lehndorff & Babson, Mass. | 11.6 |
| RREEF (West III) | 11.4 |
| Equitec (I), Calif. | 11.3 |
| RREEF (Mid-Am./East IV) | 10.6 |
| LaSalle Advisors (LSF), N.Y. | 10.5 |
| Equitable Life (New prop.), N.Y. | 10.1 |
| RREEF (Mid-Am. III) | 10.0 |
| Landauer Advisors (I), N.Y. | 10.0 |
| State Street Bank (II), Mass. | 9.8 |
| Aetna Life & Cas. (CERESA I) | 9.4 |
| RREEF (West V) | 9.3 |
| RREEF (Mid-Am. II) | 8.9 |
| RREEF (West IV) | 8.8 |
| JMB Institutional (III) | 8.6 |
| Aetna Life & Cas. (CERESA II) | 8.2 |
| Metropolitan Life (I), N.Y. | 8.1 |
| Coldwell Banker (VIII) | 7.6 |

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# Studies rap Social Security

**By Fred Williams**

DALLAS — The Social Security system is causing a massive shift of funds to whites from blacks and is draining all American workers who are paying more than they will receive at retirement, according to two separate studies by the National Center for Policy Analysis.

Both studies indicate workers would do better if they were able to invest their retirement savings privately.

Robert Myers, former chief actuary and deputy commissioner for the Social Security Administration, said the studies contained little new information and repeated frequent criticisms of the system.

He said the study regarding the impact on blacks may be based on "faulty" assumptions.

The studies were prepared by Peter Ferrara, a Washington attorney and leading critic of the system, and John Goodman, president of the NCPA, a Dallas-based public policy research organization.

The NCPA said black workers receive "far less" in benefits primarily because they have a shorter life span.

As an example, the study said a white male entering the labor market today can expect to receive 74% more in Social Security retirement benefits and 47% more in Medicare benefits than a black male earning the same wage.

The study said a white working couple can expect to receive about 35% more in retirement and Medicare benefits than a black working couple.

"In any given year, a black male worker is about twice as likely to die as a white male worker," said Mr. Goodman, NCPA president. "Among children born today, only 58% of black males and only 75% of black females are expected to reach the age of 65."

According to the NCPA, a single black male, earning the median income, can expect to receive $27,743 in total benefits, measured in 1986 prices.

A white male earning identical wages can expect $40,610 in benefits — about 50% more.

"Blacks are overrepresented among those of tax-paying age and underrepresented among Social Security beneficiaries," Mr. Goodman said.

"The effects of the welfare state are devastating for blacks in terms of the loss of Social Security benefits. In fact, the treatment of the two races by Social Security is so different, the very constitutionality of the system may be questioned."

Mr. Myers labeled this assertion "rubbish," and said race is "not always easily determinable" from Social Security rolls.

Mr. Myers said although he has not yet seen the study of black workers by the NCPA, "their work previously was faulty" and based on "common but incorrect actuarial assumptions that everyone lives to their expectations of life and then drops dead.

"They have said previously that blacks live to age 64 and then die. The assumption is an average which means half live longer and do draw extended benefits."

He said such studies also ignore survivor benefit payments.

Some organizations representing blacks have considered similar findings in the past, but after further study, agreed Social Security does indeed "help the lower-paid worker," he said.

Neither the National Association for the Advancement of Colored People nor the National Urban League offices in New York had any comment on the NCPA report.

In other findings, the NCPA said single workers earning the median income can expect to pay as much as $57,669 more than they would receive through Social Security; a working couple, both earning average incomes, can expect to "lose" $82,814; and a professional couple both earning high incomes, $200,000.

All calculations are based on persons 20 years old in 1986.

"In order to pay the benefits that have been promised to today's young people, as much as 38% of workers' incomes will have to be collected in payroll taxes during the next century," said Mr. Goodman.

He said the prediction is based on projections by the Social Security Administration.

He also pointed out there will be a dwindling supply of workers to support Social Security beneficiaries in the next century.

In 1950, there were 48 million workers and only 3 million retirees, a ratio of 16-to-1; by 1979, the ratio of workers to beneficiaries was 3-to-1; and sometime in the next century the ratio will drop to 2-to-1, or lower.

"The future financial crisis of Social Security can be averted only if we act today.

"This will require replacing the 'chain letter' approach of Social Security with a system in which each generation is committed to paying its own way," the study said.

Although Social Security is "a bonanza" for current retirees, the expected rate of return promised to workers at most age levels today "is abysmal when compared to the alternatives offered by the private capital market," the study said.

Mr. Myers said the study contains only time-worn criticisms of Social Security.

"The problem with all these studies is that they view Social Security as a system where everyone gets back exactly what he puts in and they assume people can and would go out and invest that money at 6% real interest, which I don't think is possible over any extended period of time," he said.

Mr. Myers said the real interest earned by pension plans in general has been 2% to 3% for a 20- to 30-year period.

He said such studies also usually include the costs of Medicare and label the whole package as a Social Security problem.

Mr. Myers said it is true that if the employee could invest the employer contribution as well as his or her own contribution, he or she might do well, "but who would pay for those persons who have already retired and those nearing retirement? They always answer that it would come from general revenue. What general revenue? We are operating in a deficit environment." ■

| | |
|---|---|
| Coldwell Banker (IV) | 7.0 |
| RREEF (West VI) | 6.5 |
| State Street Bank (III), Mass. | 5.8 |
| RREEF (Mid-Am. I) | 5.5 |
| RREEF (West I) | 5.4 |
| RREEF (West II) | 5.2 |
| RREEF (USA III) | 4.8 |
| Coldwell Banker (III) | 4.4 |
| RREEF (USA I) | 4.2 |
| Coldwell Banker (VI) | 4.0 |
| Coldwell Banker (V) | 3.8 |
| **Consumer Price Index** | **3.1** |
| RREEF (USA II) | 0.8 |
| Coldwell Banker (II) | −0.2 |
| Coldwell Banker (VII) | −3.7 |

### 3-year returns

| | % |
|---|---|
| JMB Institutional (I) | 20.1 |
| State Street Bank (I), Mass. | 15.6 |
| JMB Institutional (II) | 14.9 |
| LaSalle Advisors (LSF), Ill. | 14.0 |
| Landauer Advisors (I), N.Y. | 13.5 |
| Coldwell Banker (V) | 13.5 |
| Aetna Life & Cas. (CERESA I) | 12.7 |
| Equitable Life (New prop.), N.Y. | 12.1 |
| RREEF (Mid-Am. II) | 11.7 |
| CIGNA Corp., Conn. | 11.2 |
| RREEF (West III) | 11.2 |
| State Street Bank (II), Mass. | 9.9 |
| RREEF (Mid-Am./East IV) | 9.2 |
| Coldwell Banker (IV) | 9.2 |
| Coldwell Banker (II) | 9.0 |
| RREEF (West II) | 8.8 |
| RREEF (USA I) | 8.7 |
| Metropolitan Life (I), N.Y. | 8.6 |
| RREEF (West IV) | 7.9 |
| Coldwell Banker (III) | 7.4 |
| RREEF (West VI) | 7.4 |
| RREEF (West I) | 7.2 |
| Coldwell Banker (VI) | 6.9 |
| RREEF (Mid-Am. I) | 6.8 |
| Coldwell Banker (VII) | 6.3 |
| RREEF (USA II) | 4.0 |
| RREEF (USA III) | 3.8 |
| **Consumer Price Index** | **3.0** |

### 5-year returns

| | % |
|---|---|
| JMB Institutional (I) | 18.6 |
| LaSalle Advisors (LSF), Ill. | 15.7 |
| Coldwell Banker (V) | 13.4 |
| RREEF (Mid-Am. II) | 13.3 |
| RREEF (West III) | 12.3 |
| Coldwell Banker (II) | 11.8 |
| Coldwell Banker (IV) | 10.6 |
| RREEF (West II) | 10.4 |
| RREEF (USA I) | 10.3 |
| RREEF (West I) | 9.5 |
| Coldwell Banker (VI) | 8.9 |
| Coldwell Banker (III) | 8.8 |
| RREEF (USA II) | 8.8 |
| RREEF (Mid-Am. I) | 8.5 |
| RREEF (West IV) | 8.4 |
| **Consumer Price Index** | **3.5** |

### 10-year returns

| | % |
|---|---|
| Coldwell Banker (II) | 18.8 |
| RREEF (West I) | 15.7 |
| **Consumer Price Index** | **6.6** |

## London operation set up

BOSTON — John Hancock Financial Services has established its first overseas subsidiary, John Hancock Advisers International Ltd.

The London-based subsidiary, which opened Aug. 6, provides global investment advice and handles management of the John Hancock Global Trust fund and the John Hancock World Trust fund.

The World Trust fund, established Aug. 12, includes the Pacific Basin Equities Portfolio and the Fixed Income Portfolio, which will operate worldwide, according to Bob Young, a spokesman for Hancock.

R. Bruce Oliver, the vice chairman and president of John Hancock Advisers Inc., is chairman of the new company, which is an SEC-registered investment adviser. John Hancock Financial Services has $42.2 billion of assets under management.


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August 1987

The Investment Banking Group

# Master Trust

## Master trust fee survey results

| Total amount | Total plans | No. of managers | Fees ($ thous.) | Bank |
|---|---|---|---|---|
| $5 billion or more | 10 | 30 | 1,500 | Manufacturers Nat'l/Detroit |
| | 28 | 35 | 1,600 | Northern Trust, State Street Bank |
| | 1 | 21 | 386 | Security Pacific |
| | 14 | 17 | 1,500 | State Street Bank |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| | [illegible] | 17 | 10,500 | Northern Trust |
| | 1 | [illegible] | 900 | Bankers Trust |
| | [illegible] | [illegible] | [illegible] | [illegible] |
| $1-3 billion | 4 | 26 | 1,413 | Harris Trust |
| | 3 | 6 | 500 | Boston Safe Deposit & Trust |
| | 2 | 23 | 160 | NA |
| | 23 | 30 | 2,000 | State Street Bank |
| | 1 | 4 | 450 | Manufacturers Hanover |
| | 4 | 12 | 250 | Chase Manhattan |
| | 1 | 8 | 106 | First Interstate |
| | 3 | 2 | 1,700 | Morgan Guaranty |
| | 250 | 14 | 1,700 | Boston Co. |
| | 1 | 6 | 100 | Indiana Nat'l Bank |
| | 1 | 9 | 160 | First Wisconsin Trust |
| | NA | 7 | 350 | State Street Bank |
| | 95 | 4 | 500 | Citibank |
| | 15 | 13 | 278 | Northern Trust |
| $500 mil.-1 bil. | 17 | 9 | 200 | Mercantile-Safe Detroit |
| | 1 | 10 | 500 | Chase Manhattan |
| | 3 | 12 | 750 | Northern Trust |
| | 8 | NA | NA | Mellon Bank |
| | 2 | 9 | 200 | Chase, First Fidelity, Citicorp |
| | 2 | 11 | 150 | Bank of America |
| | 1 | 12 | 520 | Northern Trust |
| | 1 | 15 | 225 | Manufacturers Hanover |
| | 18 | 5 | 330 | Northern Trust |
| | 1 | 12 | 261 | Wachovia Bank and Trust |
| | 1 | 13 | NA | Irving Trust |
| | 1 | 13 | 183 | State Street Bank |
| | 3 | 23 | 325 | Bankers Trust |
| | 1 | 10 | 139 | NA |
| | 1 | 7 | 150 | Boston Safe Deposit & Trust |
| | 10 | 14 | 407 | Northern Trust |
| | 40 | 7 | 300 | Mellon Bank |
| | 3 | 1 | 155 | Manufacturers Hanover |
| $250-500 million | 3 | 7 | 195 | Commerce Bank/Kansas City, Mo. |
| | 20 | 10 | 300 | First Wisconsin Trust |
| | 2 | 5 | 137 | Bank of New York |
| | 1 | 17 | 78 | First City Bank/Dallas |
| | 5 | 6 | 250 | State Street Bank |
| | 27 | 5 | 180 | Citibank |
| | 3 | 19 | 320 | First Trust |
| | 1 | 11 | 120 | Harris Trust |
| | 1 | 8 | 115 | Northern Trust |
| | 4 | 11 | 90 | Chase Manhattan |
| | 1 | 3 | 50 | Comerica |
| | 29 | 5 | 266 | State Street Bank |
| | 1 | 3 | 140 | Nat'l Bank of Washington |
| $100-250 million | [illegible] | [illegible] | [illegible] | Irving Trust |
| | 2 | [illegible] | 94 | Boston Safe Deposit & Trust |
| | 1 | [illegible] | 185 | Bankers Trust |
| | 2 | 17 | 156 | Northern Trust |
| | 2 | [illegible] | 250 | Bankers Trust |
| | [illegible] | [illegible] | 156 | Nat'l Bank of Detroit |
| | 1 | 12 | 175 | Security Pacific |
| | [illegible] | [illegible] | 200 | Mellon Bank |
| | 1 | 7 | 70 | Citizens & Southern |
| | [illegible] | [illegible] | NA | Signet Bank |
| | 2 | [illegible] | 371 | Bankers Trust |
| | 13 | [illegible] | NA | Bank of America |
| | [illegible] | 7 | 71 | First Kentucky Trust |
| | [illegible] | 12 | 154 | Mellon Bank |
| | 2 | [illegible] | 52 | Northern Trust |
| | [illegible] | [illegible] | [illegible] | [illegible] |
| less than $100 million | 40 | 10 | 100 | Bankers Trust |
| | 3 | 2 | 34 | AmeriTrust |
| | 1 | 6 | 70 | Wachovia Bank & Trust |
| | 4 | 13 | 566 | Irving Trust |
| | 0 | 5 | 50 | Northern Trust |

# Pension execs say fees are fair

By Jacqueline Dutton

Pension fund executives generally believe they are paying a reasonable price for master trustee services even though those fees have increased over the past five years, a *Pensions & Investment Age* survey shows.

In an anonymous survey that drew responses from 75 pension executives overseeing a combined $107.5 billion in assets, the executives were asked if their annual master trustee fees increased and whether they considered fees high, average or low.

Although 60% of the respondents reported a median fee increase of $100,000 over the past five years, only 12% considered fees high.

Furthermore, while only two respondents reported a decline in fees over the past five years, 13 respondents, or 17%, believed the fees they paid were low.

Not only are the executives content with the fees charged, the survey showed, they also generally are pleased with the service the master trustees are providing. When asked if a change in master trustee was under consideration, 86% responded no.

The survey also showed 32% of the plans have had the same master trustee for 10 years or more, and 67% for five years or more.

The annual fees paid by the funds ranged from $50,000 for a client of Northern Trust Co., Chicago, to $10.5 million for another Northern Trust client. The median annual fee was $250,000.

When asked who pays the fees, 70% of the respondents said fees are paid by the fund, while 30% said fees are paid by the plan sponsors.

Very few of the respondents — six of the 75, or 8% — reported paying fees in soft dollars.

In general, the largest fees reported in the survey were paid by those funds with the largest amounts of employee benefit assets. But for annual fees of less than $850,000, there was no clear correlation between the size of the fees paid and the size of the account. Instead, other variables — number of plans, number of money managers and type of services provided — seemed to play a greater role in the amount paid.

The size of master trust assets ranged from $230,000 to $15.2 billion; the median was $575 million.

The range for the number of defined benefit plans in a master trust was zero to 250, and the range for number of defined contribution plans was zero to 10. The median number of defined benefit plans in a master trust was two, and the median number of defined contribution plans was one.

The number of money managers under the master trust ranged from one to 35; the median was nine.

In some cases, the difference in complexity of the respondents' master trusts — number of plans and money managers incorporated — accounted for discrepancies in the size of fees paid. For example, two of the respondents each reported total master trust assets of $300 million. One, with almost 30 plans and five money managers, paid $270,000 in annual master trust fees, while the other paid, with one plan and three money managers, paid $50,000.

But the surface comparisons did not fully explain the discrepancies in fees charged. Thomas W. Kimen, a senior vice president at Northern Trust Co., Chicago, said every master trust account is different and requires a different blend of services.

"In some cases fees differ because of the types of securities used," Mr. Kimen said. "Other times operating costs are different. Then there are differences in the money managers; some are high-volume traders and other low-volume. Their are differences in accounting requirements with various plans. Some want performance evaluation and benefits payment." ■

# The cost of competing

## Solving some problems creates others

By Trudy Ring

Bank of America is shelling out $25 million to fix a $20 million computer system — the most glaring but by no means only example of the problems master trust banks face in remaining competitive.

Many banks are battling to improve — through new technology — such master trust services as reporting and handling mortgage-backed securities, but some still have lost clients to the fight.

Bank of America, San Francisco, invested $20 million to create and install MasterNet. Now, it has set aside another $25 million because of significant delays in monthly statements produced by the new system.

Peter Magnani, a public relations officer with Bank of America, confirmed the bank's problems with MasterNet, but wouldn't say what caused them. "We've just characterized it as a conversion problem," he said.

In interviews, Bank of America clients acknowledged they haven't been receiving monthly statements on time, but they stopped short of revealing any intentions of firing the bank. "Anyone utilizing any service should analyze where it stands in relation to the market," one client explained.

Another client said the system appears to record and report fund activities accurately; it's just the delay that's a problem.

Mr. Magnani said the bank is in the process of catching up on all accounts. No customer information has been lost, he said.

When MasterNet is fixed, he added, it will have more capacity than the previous data processing system and will allow customers to link up with the bank through personal computers, he said.

The $380 million Bush Foundation, St. Paul, Minn., dropped First Trust Co., St. Paul, because of difficulty in obtaining timely, accurate reports, said Gerald M. Skogley, the foundation's business manager.

"The service at First Trust was not as good as it had been earlier in our relationship," he said of the decision to replace First Trust with Boston Safe Deposit and Trust Co., Boston.

He noted First Trust had undergone some internal restructuring, which bank officials said occurred during the consolidation of its trust services with those of First Bank Minneapolis and First Bank St. Paul. All are part of First Bank System, Minneapolis.

The consolidation took about two years and is largely complete now, said Michael W. Kellogg, assistant vice president of First Trust.

Mr. Kellogg declined to offer any details of the problems that arose during the consolidation process, but he said they are over now.

"We're very pleased that the overwhelming majority of our clients stayed with us," Mr. Kellogg said.

The merger actually will

*Continued on page 36*

# Assets hit $1.32 trillion

## Custodial increase outstrips master trust hike

By Hank Berkowitz

Tax-exempt assets held by the nation's master trust and custodial banks grew 46% to almost $1.32 trillion for the 12 months ended June 30, up from $903.8 billion a year ago, according to a *Pensions & Investment Age* survey.

Assets held in master trust accounts of those banks grew 36.5% to $743.5 billion, and assets held in master custodial accounts grew 59.6% to $573.3 billion, according to *P&I Age* data.

(These statistics exclude Security Pacific, Los Angeles because the bank was not included in the 1986 *P&I Age* master trust directory. Security Pacific had $3.2 billion in master trust and $35 billion in master custody assets as of June 30.)

The growth was triggered primarily by stock market appreciation — 25.2% for the Standard & Poor's 500 stock index during the period — and, secondarily, by new business.

According to data compiled by Greenwich Associates, Greenwich, Conn., 73% of pension funds with assets greater than $10 million now use master trustees. That number is significantly higher than the 49% level recorded in 1980.

"That (growth) game's over," said Ronald Golz, executive vice president of State Street Bank & Trust Co., Boston, explaining the corporate pension side of master trust has been saturated.

"It's a mature business," agreed Eileen Sherman, a Greenwich Associates partner, noting there are few pension funds without master trustees.

To obtain a new client, she said, "you've got to win that business away and convince them to switch."

Greenwich Associates compiled its data from a survey of 1,046 major pension funds whose assets exceeded $20 million as of October 1986.

It's really a matter of "musical chairs now," with pension funds more likely to change master trustees than they were a few years ago, said Ron Jones, a partner at Hewitt Associates, a Lincolnshire, Ill.-based consulting firm.

Changes often result from "the timeliness and accuracy of the reports they're getting," Mr. Jones said.

Master trust banks are legally responsible for multiple plans with multiple managers, and for single plans with multiple managers. Master trustees provide unitized reporting, accounting and performance measurement services for their clients, which are primarily corporate employee benefit plans.

Master custodians provide the same services, but their clients — primarily public employee plans, endowment funds and foundations — retain legal trusteeship.

Larger pension funds, which often have multiple managers, most often use master trust banks.

Greenwich's data show that 94% of funds with assets greater than $1 billion use master trust and master custodial services, up from 89% in 1985. That proportion drops to 87% for funds in the $250 million range and to 67% for funds in the $20 million range (*see table below*).

**Percentage of funds using master trusts as determined by fund assets**

| Assets | % |
|---|---|
| $1 billion or more | 94 |
| $501 to $1 bil. | 91 |
| $250 to $500 mil. | 83 |
| $200 to $250 mil. | 87 |
| $150 to $200 mil. | 71 |
| $50 to $100 mil. | 63 |
| $40 to $ 50 mil. | 63 |
| $30 to $ 40 mil. | 58 |
| $20 to $30 mil. | 53 |
| $20 or less | 67 |

While some smaller players, particularly regional banks, have made impressive inroads in the trust and custody universe, large banks continue to dominate the market.

Regional banks run into problems when clients want to diversify into more complicated areas like international investments and Government National Mortgage Association Securities, said Mr. Golz of State Street, the nation's largest provider of master trust and custody services. "Regionals still have to subcontract out those services."

The 10 largest master trust banks service 76.5% of the market, according to *P&I Age*'s data.

State Street amassed a $48.3 billion gain in master trust assets during the year, replacing Bankers Trust Co., New York, as the largest provider of master trust services, the *P&I Age* data indicated.

State Street has capitalized on "synergy" Mr. Golz said, with its market share at 12.5%, the *P&I Age* data showed. "When clients select us for participatory recordkeeping, they also tend to select us as master trustee," he said.

Mr. Golz also said the rising popularity of group trust services — which State Street pioneered three years ago — has fueled its rise to the top of the master trust market.

"Conceptually, we're like a manager of managers," Mr. Golz said of banks that provide group trust services — essentially pooled funds of money that give pension funds access to a variety of different management styles under a single, economical umbrella.

Banker's Trust is now the second largest provider of master trust services, with $91 billion under trusteeship, up from $74 billion a year ago, the *P&I Age* data showed. Its market share is 12%. Mellon Bank, Pittsburgh (11.3%); Northern Trust Co., Chicago (8.8%); and Chase Manhattan Bank, New York (8.3%), rounded out the top five providers of master trust services.

State Street is also the largest provider of master custody services, with $97.7 billion under management, up from $65.4 billion a year ago, according to *P&I Age* data.

As opposed to the corporate side of the master trust market,

*Continued on page 52*

*Ronald Golz of State Street Bank says the master trust market has been saturated. Ron Jones of Hewitt Associates says timeliness and accuracy are reasons funds usually change master trustees.*

**U.S master trust/master custody banks ($ millions)**

| | Total | Master trust | Master custody |
|---|---|---|---|
| State Street Bank & Trust | 190,890 | 93,185 | 97,705 |
| Chase Manhattan Bank | 148,000 | 63,000 | 85,000 |
| Bankers Trust | 117,900 | 91,100 | 26,800 |
| Northern Trust | 109,142 | 67,330 | 41,812 |
| Citibank | 102,536 | 29,109 | 73,427 |
| Mellon Bank | 98,199 | 86,289 | 11,910 |
| Bank of New York | 92,900 | 40,900 | 52,000 |
| Boston Safe Deposit and Trust | 86,961 | 33,728 | 53,233 |
| Irving Trust | 52,500 | 15,500 | 37,000 |
| First RepublicBank/Dallas | 38,200 | 25,600 | 12,600 |
| Security Pacific | 38,200 | 3,200 | 35,000 |
| Harris Trust and Savings | 36,689 | 35,600 | 1,089 |
| First Pennsylvania Bank | 30,980 | 3,774 | 27,206 |
| Manufacturers Hanover Trust | 29,668 | 21,000 | 8,668 |
| Nat'l Bank of Detroit | 28,000 | 28,000 | 0 |
| First Wachovia | 27,717 | 23,669 | 4,048 |
| U.S. Trust Co. of New York | 22,000 | 12,500 | 9,500 |
| Bank of America | 16,285 | 13,500 | 2,785 |
| Manufacturers Nat'l Bank/Detroit | 16,042 | 13,397 | 2,645 |
| Continental Illinois Nat'l Bank | 14,310 | 11,570 | 2,740 |
| Wilmington Trust | 12,554 | 12,414 | 140 |
| Citizens & Southern Nat'l Bank | 9,856 | 1,199 | 8,657 |
| AmeriTrust | 7,330 | 4,044 | 3,286 |
| First Trust | 4,400 | 4,000 | 400 |
| Centerre Trust | 4,259 | 1,686 | 2,573 |
| Mercantile-Safe Deposit & Trust | 4,100 | 2,200 | 1,900 |
| First Wisconsin Trust | 3,860 | 2,125 | 1,735 |
| Marshall & Ilsley Trust | 3,600 | 1,750 | 1,850 |
| Norwest Bank/Minneapolis | 3,300 | 2,600 | 700 |
| Marine Midland Bank | 2,400 | 1,800 | 600 |
| Trust Co. Bank | 2,254 | 941 | 1,313 |
| Total | 1,355,032 | 746,710 | 608,322 |

# Solving some problems . . .

*Continued from page 35*

produce improved service because of economies of scale, he said.

A common problem for master trust banks has been contending with the variability of payments from mortgage-backed securities.

The $7.3 billion Los Angeles County Employees' Retirement Association, had problems with Security Pacific National Bank's recording of mortgage-backed securities payments. The fund eventually reached a settlement with the Los Angeles Bank and kept it as custodian.

C. Rodney Cooper, first vice president of Security Pacific, said the problems surfaced two years ago and have been corrected.

"We have, in the meantime, built what we consider one of the best Ginnie Mae processing systems around," he said.

State Street Bank and Trust Co., Boston, lost the custodial account of the $8.6 billion Teamsters, Central States, Southeast & Southwest Areas pension fund, Chicago. Fund officials said they dropped State Street and hired Mellon Bank, Pittsburgh, because of mortgage-backed securities problems.

State Street officials, however, contend the problem was more a difference of opinion over how things should be done than a lack of service. Indeed, other State Street clients said they have had no problems with the bank's accounting for mortgage-backed securities or any other investment transactions.

State Street officials said they made no changes as a result of the Teamsters' defection, but acknowledged the importance of continually upgrading master trust systems and services.

Officials of the $33 million Bergen Brunswig Corp. pension fund, Orange, Calif., saw problems with the timeliness of reporting by Security Pacific, Los Angeles, and tried without success to get them corrected, said George E. Reinhardt Jr., vice president-finance and chief financial officer. Another official of Bergen Brunswig declined to say whether the problem involved mortgage-backed securities. The fund hired Bankers Trust Co., New York, to replace Security Pacific as master trustee.

But other clients of Security Pacific and State Street expressed nothing but satisfaction with their banks. "We haven't had problems with our account," said an officer of the $1.2 billion Southern California Edison Co. pension fund, Rosemead, Calif., a Security Pacific client.

"Security Pacific is the best that I've ever dealt with," added Tom Friery, Sacramento city treasurer, who runs the $300 million Sacramento City Employees' Retirement System.

"Any issues that have come up have been resolved before they got to the problem stage," said Robert Evans, assistant treasurer of Xerox Corp., Stamford, Conn. State Street is master trustee of Xerox's $2.8 billion in pension and profit-sharing assets; Mr. Evans credited the success of the relationship to good communication and regular meetings with bank officials.

"We've been more than happy with our relationship with State Street, and we've never encountered any problems," said Sunny Oberoi, director-pension fund management at Pacific Gas & Electric Co., San Francisco. State Street is master trustee of the utility's $2.5 billion in pension assets.

Many banks are investing in new master trust technology, and State Street has even established the State Street Institute, a continuing professional education program for master trust personnel.

First Pennsylvania Bank, Philadelphia, spent $8 million over the past four years to develop and install a new system that recently began operating.

With the system, large, multimanager funds likely will get their monthly reports no later than the 15th business day after the end of the month; a week earlier than under the old system, officials said.

Trust One, which can be accessed by personal computers, will be easier to adapt to various kinds of securities, such as mortgage-backed and futures and options, and will permit customization of client reports.

A commitment to upgrading technology "is really essential in this business," said Maureen E. Pugh, senior vice president-trust operations at First Pennsylvania.

Bankers Trust has budgeted $10 million a year for the next several years to upgrade its master trust technology, said Carter Reynolds, vice president. The system has been in place for about 10 years and doesn't need a major overhaul, just continual fine-tuning to meet customers' increasingly sophisticated needs, she said. Those needs include dealing with an ever-expanding variety of securities.

"The investment structure of benefit plans is becoming and will continue to become increasingly complex," Xerox' Mr. Evans said. Vendors of securities generally don't think about accounting and reporting considerations, he said.

"The master trust industry is being challenged and it's only going to get worse," he said. "From a customer standpoint, I think it's essential that you sit down and go over what they're going through."

From a trustee standpoint, making a commitment to understand and be able to deal with new securities is essential, said Bob Mainer, senior vice president of Boston Safe Deposit. Pension fund officers don't want their ability to use futures, options, mortgage-backed or international securities constrained by their trustees' capabilities, he said.

Also, as important as timely, accurate reporting is, pension funds need more than that, Mr. Mainer said. Trustees need to provide means, such as PC access, to help fund officers analyze how their fund is meeting its goals.

Meeting pension funds' demands for service takes time, personnel and, above all, money — sometimes more money than small, regional master trust banks can spare.

"There appears to be a consolidation going on, specifically because of the more sophisticated requirements today," Ms. Reynolds said. "It's becoming increasingly difficult for the smaller banks to justify the cost." ■

## Directory

### AmeriTrust Co.

*900 Euclid Ave., Cleveland, Ohio 44101; (216) 687-4089*

| | |
|---|---|
| Master trust assets | $4,044,000,000 |
| Master custodial assets | $3,286,000,000 |
| Master trust clients | 48 |
| Master custodial clients | 13 |
| Account supervisors | 3 |

AmeriTrust Co.'s master trust assets rose $470 million as of June 30 from the previous year; master custodial assets increased $781 million.

The size of the largest master trust account is $688 million; the smallest is $1.5 million.

The primary accounting method is trade date; accrual also is offered.

Basic master trust services include automated cash management system; pension benefit payments; securities processing; performance measurement; and custody services.

Optional services include TUCS and AmeriScan, an on-line client inquiry system.

Monthly transaction reports and asset and liability reports are available five business days after the end of a period; performance measurement reports are available in 15 calendar days. All reports are available on-line.

New features include client PC download capability and on-line client inquiry for pension payment systems.

Fees are based on market value of assets and individual services provided.

The client contact is Gary W. Queen, senior vice president.

### Bank of America

*555 California St., San Francisco, Calif. 94104; (415) 622-9568*

| | |
|---|---|
| Master trust assets | $13,500,000,000 |
| Master custodial assets | $2,785,000,000 |
| Master trust clients | 27 |
| Master custodial clients | 11 |
| Account supervisors | 16 |

Bank of America's master trust assets rose $2.53 billion as of June 30 from the previous year. The largest master trust account is $8.5 billion; the smallest is $25 million.

The primary accounting method used is accrual. Other methods offered are cash, modified cash, trade or settlement date, income-only accruals and book value.

Basic master trust services are accounting and reporting, cash management, pension disbursements and securities transactions. Optional services are participant record-keeping; securities lending; performance measurement and analytics; and global custody.

Monthly transaction reports and asset and liability reports are available five to 10 days after the end of a period; performance measurement reports are available in six business days. Securities lending and performance measurement reports are available on-line.

Fees are calculated on a percentage of assets, portfolio structure and transactions.

The client contact is John P. Sheehy, senior vice president.

The consultants directory will be published Nov. 16.

### The Bank of New York

*48 Wall St., New York, N.Y. 10286; (212) 530-1784*

| | |
|---|---|
| Master trust assets | $40,900,000,000 |
| Master custodial assets | $51,000,000,000 |
| Master trust clients | 72 |
| Master custodial clients | 16 |
| Account supervisors | 12 |

The Bank of New York's master trust assets rose $14.7 billion as of June 30 from the previous year; master custodial assets rose $33.9 billion.

The size of the largest master trust account is $20 billion; the smallest is $5 million.

The primary accounting method is trade and settlement date. Also offered are cash basis, modified cash basis, full accrual trade date, full accrual settlement date, amortized cost/accumulation and liability accounting.

Basic master trust services include assistance in ERISA reporting; full administrative services; accounting reports; automated or sweep cash management; portfolio review; market investing; index funds; on-line services; custom reports; fail float protection; and options and futures accounting.

Optional services include performance measurement; securities lending; benefit payment; consulting services; global; daily unit valuation; and on-line inquiry with two-way communication.

Monthly transaction reports are available three to five days after the end of a period; asset and liability reports are available in one business day; and performance measurement reports, in 20 days. All are available on-line.

New features include enhancements to the mutual fund system with the new capabilities of Unicol, the addition of direct investment account link, and enhanced on-line and performance measurement services.

Fees are based on a combination of asset value and individual services.

The client contact is Roy P. Lanza, vice president.

### Bankers Trust Co.

*280 Park Ave., 8 West, New York, N.Y. 10017; (212) 850-2037*

| | |
|---|---|
| Master trust assets | $91,100,000,000 |
| Master custodial assets | $26,800,000,000 |
| Master trust clients | 121 |
| Master custodial clients | 59 |
| Account supervisors | 51 |

Bankers Trust Co.'s master trust assets rose $11.7 billion as of June 30 from the previous year; master custodial assets increased $2.1 billion.

The size of the largest master trust account is $12.3 billion; the smallest is $1 million.

The primary accounting method is trade date; settlement date also is offered.

Basic master trust services include custody; accounting; reporting; cash management; and investment manager liaison. Optional services include securities lending; global custody; performance measurement; on-line inquiry; investment products; discount brokerage; BTCap, which allows investment managers to administer the pension assets of multiple clients in one consolidated portfolio; benefit payments on-line; aggressively managed STIF; BTMonitor, which measures the quality of equity trade execution; and the lending of Japanese securities.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available in seven to 10 business days; and performance measurement reports, in 15 business days. All are available on-line.

New features include discount brokerage; BTMonitor; and lending of Japanese securities.

Accounting and reporting fees are charged per portfolio, transaction fees for directed trades, and administration charges are based on the size and complexity of the total relationship.

The client contact is Frederick Bailey.

### Boston Safe Deposit and Trust Co.

*1 Boston Place, Boston, Mass. 02106; (617) 722-7314*

| | |
|---|---|
| Master trust assets | $33,728,000,000 |
| Master custodial assets | $53,233,000,000 |
| Master trust clients | 42 |
| Master custodial clients | 22 |
| Account supervisors | 16 |

Boston Safe Deposit and Trust Co.'s master trust assets rose $5.54 billion as of June 30 from the previous year; master custodial assets rose $47.55 billion.

The size of the largest master trust account is $7 billion; the smallest is $23 million.

Its accounting method is a true, trade date and full accrual system. The accounting system interfaces daily with a cash basis securities control system.

Basic master trust services include safekeeping of assets; cash management and securities processing; and full accrual trade date-based accounting and reporting. Optional services include securities lending; global custody; benefit payments; participant record-keeping; structured investment products; performance measurement

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A SunTrust Bank

and analysis; on-line access capabilities; and PC workstation.

Transaction reports and asset and liability reports are available five business days after the end of a period; performance measurement reports are available in seven business days. All accounting and performance information is available on-line.

New features include trade cost measurement; enhanced PC workstation capabilities; London and Newport Beach offices; and international securities lending.

Fees are calculated on an individual basis and quoted based upon determination of the expected costs for the delivery of services required by each client.

The client contact is John L. Carty, vice president.

The cash management survey will be published Nov. 2.

### Centerre Trust Co.

*510 Locust, St. Louis, Mo. 63101; (314) 436-9265*

| | |
|---|---|
| Master trust assets | $1,686,000,000 |
| Master custodial assets | $2,573,000,000 |
| Master trust clients | 11 |
| Master custodial clients | 7 |
| Account supervisors | 6 |

Centerre Trust Co.'s master trust assets rose $330 million as of June 30 from the previous year.

The largest master trust account is $670 million; the smallest is $4.5 million.

The primary accounting method used is a combination method. The employee benefit package is based on trade date; the transaction statement is based on settlement date. Equitable share accounting also is offered.

Basic master trust services include performance measurement/risk analysis; participant record keeping; assistance in ERISA reporting requirements; automatic sweep cash management; portfolio review; and market inventory/index funds. Optional services include performance measurement and customized account services.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available seven to 10 business days after the end of a period; and performance measurement reports, 10 business days after the end of a period. An on-line customer access feature will be expanded and completed by year end.

New features include upgraded performance measurement reporting servicing.

Fees are based on market value.

The client contact is Richard W. Hibbs, vice president and director of pension marketing.

### Chase Manhattan Bank

*1211 Avenue of the Americas, New York, N.Y. 10036; (212) 730-3008*

| | |
|---|---|
| Master trust assets | $63,000,000,000 |
| Master custodial assets | $85,000,000,000 |
| Master trust clients | 94 |
| Master custodial clients | 66 |
| Account supervisors | 37 |

Chase Manhattan Bank's master trust assets rose $10 billion as of June 30 from the previous year; master custodial assets increased $21 billion. The figures do not include global assets of master trust/custody clients, totaling an additional $50 billion.

The largest master trust account is $18 billion; the smallest is $20 million.

The primary accounting method is trade date, fully accrued. Contractual settlement date also is available.

Basic master trust services include full administrative capability; safekeeping; electronic links to central depositories; advisory services; corporate actions monitoring; settlement of all trades and crediting of incomes; full on-line accounting and reporting, including options and futures, ERISA and FASB reporting, plan accounting; remote on-line inquiry; legal and regulatory guidance; and cash management, including active and passive investment vehicles and cash forecasts.

Optional services are benefit payments; global custody multicurrency accounting and reporting; global performance measurement; fully automated securities lending program; performance and analytics; asset liability studies; customized comparative universes; systems and performance consulting; client training; full report customization; and institutional cross-trading capabilities.

Monthly transaction reports are available the business day after the end of a period; asset and liability reports are available the seventh business day; and performance measurement reports, the second business day following completion of the accounting reports. All reports are available on-line.

New features include on-line performance and analytics; CPU-to-CPU transmission of data; graphics and downloading capabilities; a report-writing feature for design reports; consulting for systems and analytic support; full report customization capabilities; and client training.

Fees are based on the asset value of the account, the structure and the transaction volume.

The client contact is John A. Sweeney, vice president.

### Citibank

*153 E. 53rd St., New York, N.Y. 10043; (212) 559-1523*

| | |
|---|---|
| Master trust assets | $29,109,000,000 |
| Master custodial assets | $73,427,000,000 |
| Master trust clients | 348 |
| Master custodial clients | 138 |
| Account supervisors | 56 |

Citibank's master trust assets rose $4.91 billion as of June 30 from the previous year; master custodial assets increased $29.8 billion.

The largest master trust account is $3.4 billion; the smallest is $1 million.

The primary accounting method is trade date; settlement date also is offered.

Basic master trust services include safekeeping and custody; cash management; trade date reporting; ERISA reporting; equitable share accounting; benefit disbursement; and on-line information systems. Optional services include flexible reporting; performance measurement and analysis; TUCS comparisons; global custody; securities lending; participant record-keeping; and DRIP service.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available five to seven business days following receipt of all information; and performance measurement reports, 15 business days after the end of a period. All are available on-line.

New features include enhanced flexible reporting on Citicorp Portfolio Analyst to include broker commission and performance measurement reports; Citistar, an enhanced on-line PC-based information management system; and automated interface with the proposed Mortgage-backed Securities Clearing Corp. Depository.

Fees are based on individual services.

The client contact is Gregory J. di Pretoro.

### The Citizens and Southern National Bank

*33 North Ave. N.E., Atlanta, Ga. 30308; (404) 897-3083*

| | |
|---|---|
| Master trust assets | $1,199,000,000 |
| Master custodial assets | $8,657,000,000 |
| Master trust clients | 43 |
| Master custodial clients | 7 |
| Account supervisors | 15 |

Citizens and Southern National Bank's master trust assets rose $156.5 million as of June 30 from the previous year; master custodial assets in-

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creased $1.13 billion.

The primary accounting method is accrual, trade date. Asset valuations and transaction statements reflect pending transactions, and accrued interest and dividend income are reported on an accrual basis.

Basic master trust services include custody of assets; collection of any dividend or interest income; cash management; record maintenance; production of required statements; on-line access to trust accounting; periodic review of administrative matters and investments; personal contact with a certified employee benefit specialist; direction from authorized investment managers; and participant record-keeping. Optional services include international securities; options and futures; performance measurement; TUCS on-line; seminars; bulletins; legislative and regulatory affairs department; global custody; real estate services; multicurrency accounting; and on-line access to the trust accounting system.

Monthly transaction and asset reports are available within five business days after the end of a period; performance measurement reports are delivered within 10 days. All reports are available on-line.

Fees are based on market value of assets and individual services provided.

The client contact is Edgar R. Smith, vice president.

### Continental Illinois National Bank and Trust Co. of Chicago

*30 N. LaSalle St., Chicago, Ill. 60697; (312) 828-3560*

| | |
|---|---|
| Master trust assets | $11,570,000,000 |
| Master custodial assets | $2,740,000,000 |
| Master trust clients | 39 |
| Master custodial clients | 11 |
| Account supervisors | 10 |

Continental Illinois National Bank and Trust Co.'s master trust and master custcdial assets rose 22% as of Dec. 31 from the previous year.

The size of the largest master trust account is $2.5 billion; the smallest is $7 million.

The primary accounting method used is full accrual, trade date. Also offered are flexible accounting and reporting capabilities on either a cash or an accrual basis with either settlement or trade date reporting; multiple plan accounting. Multiple plan accountings are available in any aggregation.

Basic master trust services include all regular custody and transaction costs related to investments; collection of all income and other distributions on assets; monthly cash and asset statements with quarterly and annual reports, including a balance sheet and schedules of assets valued at cost and market, earnings and expenses, cash receipts and disbursements, plan accounting and realized gain or loss on disposition of assets; an ERISA report package; service by the bank as trustee, as required; consulting support to the plan committee on legal issues and administrative procedures; automatic cash management sweep; and access to the Continental Remote Inquiry System, which includes transaction history, cash projection and asset files.

Optional services include investment management; pension and lump-sum disbursement services; performance measurement; global custody; and securities lending.

Monthly transaction reports are available two business days after month's end; asset and liability reports are available six business days after month's end; and performance measurement reports are available the 25th day.

Monthly transaction reports, cash receipt and disbursement projections and asset files are available on-line.

New features in early 1988 will include complete flexibility in report delivery dates; enhanced automated report customizing; greater adaptability for processing transactions for new security types; more efficient transaction processing and accounting routines; and enhanced remote inquiry files.

Fees are based on total relationship market value.

The client contacts are Christopher S. Ross and Glenn E. Kemp, vice presidents.

### First Pennsylvania Bank

*15th and Chestnut streets, Philadelphia, Pa. 19101; (215) 786-7946*

| | |
|---|---|
| Master trust assets | $3,774,000,000 |
| Master custodial assets | $27,206,000,000 |
| Master trust clients | 18 |
| Master custodial clients | 20 |
| Account supervisors | 12 |

First Pennsylvania Bank's master trust assets rose $1.77 billion as of June 30 from the previous year; master custodial assets increased $5.45 billion.

The size of the largest master trust account is $1.5 billion; the smallest is $2.7 million.

The primary accounting method is cash basis; accrual basis also is offered.

Basic master trust services include cash basis reporting; securities movement and control; income collection; and client terminal. Optional services include performance comparison; performance measurement; accrual accounting; participant record-keeping; pension payroll; cash management; securities lending; global custody; portfolio analytics; and fail float.

Monthly transaction reports and asset and liability reports are available five to seven days after the end of a period; performance measurement reports are available 10 to 15 days after the end of a period. Asset and liability reports, daily transaction reports and cash projection reports are available on-line.

New features include downloading and on-line performance measurement.

Fees are based on market value; security; transaction volume; and number of accounts using specific services. Pension payroll and participant record keeping fees are based on the number of participants; securities lending is based on a percentage of net securities lending revenue.

The client contact is James F. McHale.

### First RepublicBank Dallas

*P.O. Box 241, Dallas, Texas 75221; (214) 922-6506*

| | |
|---|---|
| Master trust assets | $25,600,000,000 |
| Master custodial assets | $12,600,000,000 |
| Master trust clients | 188 |
| Master custodial clients | 63 |
| Account supervisors | 17 |

First RepublicBank Dallas' master trust assets rose $7.7 billion as of June 30 from the previous year; master custodial assets increased $2.6 billion.

The largest master trust account is $6.5 billion; the smallest is $3 million.

The primary accounting method used is trade date, full accrual accounting. Other methods offered are settlement date and cash or accrual basis accounting.

Basic master trust services include client on-line reporting; downloading and format capabilities; accounting reports; global custody with multicurrency accounting; plan accounting; fail float earnings; pre-crediting dividends and interest on payable date in good funds; daily pricing; benefit payments; withholding and controlled disbursement; on-line performance measurement and analytics; on-line DTC/Id securities processing; on-line benefit payments; and on-line cash management and forecasting.

Optional services include securities lending; 401(k) and ESOP record-keeping with on-line inquiry; TUCS; government reporting; stock and bond index funds; portfolio risk insurance; GIC wholesale service; dedicated bond portfolio; performance consulting; transition manager service; futures and options; and international, real estate and energy investing.

Monthly transaction reports are available two business days after the end of a period; asset and liability reports, three to five business days, and performance measurement reports, 10 business days after the end of a period.

Reports available on-line are assets, transactions, cash management and

**How this leisure products corporation chose Philadelphia as home base for its benefit plans...**

***And scored with Master Trust services as individual as an autograph.***

In 1978, Leisure Corporation† moved into the majors as a manufacturer of sports equipment, accessories, and clothing.

Early in the game, Leisure Corporation knew that what they needed for their burgeoning pension plan was a Master Trustee that could provide convenience, control, consistency, and cost effectiveness.

And they needed a Master Trustee who offered the full range of sophisticated services, because they knew a single provider would be the key to the most consistent, cost-effective service.

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***The starting lineup.***

When Leisure Corporation and First Pennsylvania became a team, things were simple: one plan, one trustee, and two outside investment advisors. First Pennsylvania provided monthly reports on an *accrual* and consolidated basis.

What is more, the reports gave Leisure Corporation the essential details in a uniform, easy-to-comprehend format.

And as they added other managers, they got both absolute performance measurements and Wilshire TUCS® comparisons customized by portfolio type, size, style, and risk exposure for each manager.

***Mid-season form.***

Leisure Corporation made a long series of changes and diversifications to its plan between 1979 and 1986, using a total of eight different investment managers. But with constant consultation and a clear understanding of Leisure Corporation's goals, First Pennsylvania has been determining and filling every need as it arises—quickly, easily, and cost effectively.

***The top of the ninth.***

Very soon, Leisure Corporation plans to add a ninth investment manager. And First Pennsylvania will bring another of its special tools into play by providing fully collateralized Securities Lending.

If you need convenience, control, consistency, and cost-effectiveness for your investments, learn how First Pennsylvania Bank can give you a program that's as individual as an autograph. Call or write James F. McHale, Senior Vice President, Packard Building, Philadelphia, PA 19101; (215) 786-7946.

†Leisure Corporation is a fictional entity, but all services provided and manner of provision are based on actual cases.

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forecasting, performance measurement and participant record-keeping, with download capabilities and benefit payments.

New features include on-line benefit payments; securities lending with 100% indemnification; enhanced performance measurement and analytics with on-line capabilities; S&P 500 index fund; index tilts; enhanced pension payment system; and expanded master trust client reporting.

Fees are based on a percentage of market value and transaction charges.

The client contact is David Pittman, senior vice president and director-trust corporation institutional marketing.

### First Trust Co. Inc.

*180 E. Fifth St., St. Paul, Minn. 55101; (612) 223-7788*

| | |
|---|---|
| Master trust assets | $4,000,000,000 |
| Master custodial assets | $400,000,000 |
| Master trust clients | 15 |
| Master custodial clients | 6 |
| Account supervisors | 8 |

First Trust Co.'s master trust assets rose $1 billion as of June 30 from the previous year; master custodial assets decreased $250 million.

The size of the largest master trust account is $2.5 billion; the smallest is $25 million.

The primary accounting method is trade date; settlement date also is offered.

Basic master trust services include securities settlement; custody and servicing; full accrual accounting; automated cash management; portfolio review; performance measurement; ERISA reporting; and benefit disbursement.

Optional services include TUCS; securities lending; participant accounting; index fund; and on-line service.

Transaction reports are available the day after month's end. Asset and liability reports are available in 10 business days and performance measurement reports, in 15 business days.

Reports available on-line include TUCS performance; asset reports with current market value; cash balances; pending transactions and transaction histories and benefit disbursing. On-line capabilities include inquiry and data input.

New features include access to an inquiry system using a fourth-generation language via remote log-on. The menu-driven system can be downloaded to a personal computer. On-line access is available to performance measurement; asset position; current asset allocation by manager or composites; statistical analysis of the portfolio; derivative exposure; issue holders; volatility measures; fundamental characteristics of the portfolio; portfolio diversification; and risk measurement.

Fees are calculated as a percentage of assets. There also is a charge per transaction.

The client contact is Michael W. Kellogg.

### First Wachovia

*301 N. Main St., Winston-Salem, N.C. 27150; (919) 770-6348*

| | |
|---|---|
| Master trust assets | $23,669,000,000 |
| Master custodial assets | $4,048,000,000 |
| Master trust clients | 57 |
| Master custodial clients | 8 |
| Account supervisors | 16 |

First Wachovia's master trust assets rose $2.3 billion as of June 30 from the previous year; master custodial assets increased $40 million.

The size of the largest master trust account is $8.2 billion; the smallest is $8 million.

The primary accounting method is full accrual trade date adjusted. Settlement date also is offered.

Basic master trust services include custody of assets; benefit payments; ERISA reporting; cash management; fail float analysis; monthly reporting; plan accounting; on-line inquiry; and legal administrative guidance.

Optional services include securities lending; global custody; asset allocation; options and futures processing; participant record-keeping; performance measurement; portfolio analysis and comparative performance; and customized reporting.

Monthly transaction reports are available five business days after the end of a period; asset and liability reports are available in 10 business days; and performance measurement reports, 12 business days. All reports are available on-line.

New features include downloading; enhanced participant record-keeping; new on-line reports; and rabbi trust administration and consulting.

Fees are based on a combination of market value and specific services provided.

The client contact is Jane B. Fisher.

The largest real estate advisers will be profiled Sept. 21.

### First Wisconsin Trust Co.

*777 E. Wisconsin, P.O. Box 2054, Milwaukee, Wis. 53201; (414) 765-4444*

| | |
|---|---|
| Master trust assets | $2,125,000,000 |
| Master custodial assets | $1,735,000,000 |
| Master trust clients | 33 |
| Master custodial clients | 6 |
| Account supervisors | 7 |

First Wisconsin Trust Co.'s master trust assets rose $254 million as of June 30 from the previous year; master custodial assets increased $505 million.

The size of the largest master trust account is $1.3 billion; the smallest is $2.6 million.

The primary accounting method is trade date with full accrual.

Basic master trust services include plan accounting; care and custody of assets; transaction processing; cash management; accounting statements; and investment reviews.

Optional services include on-line access; performance measurement; securities lending; and benefit payments.

Monthly transaction reports are available two to three business days after the end of a period; asset and liability reports are available in seven to nine business days; and performance measurement reports, in 10 to 12 business days.

Monthly transaction reports and asset and liability reports are available on-line.

New features include derivative accounting.

Fees are based on market value and individual services.

The client contact is Mark Kimla.

### Guaranty Trust Co. of Canada

*335 Bay St., 11th Floor, Toronto, Ontario M5H 3N8; (416) 975-4966*

| | |
|---|---|
| Master trust assets | $907,000,000 |
| Master trust clients | 25 |
| Account supervisors | 4 |

Guaranty Trust Co. of Canada's largest master trust account is $265 million; the smallest is $752,000. All figures are in U.S. dollars.

The primary accounting method is settlement date; trade date reporting also is offered.

Basic master trust services are in-


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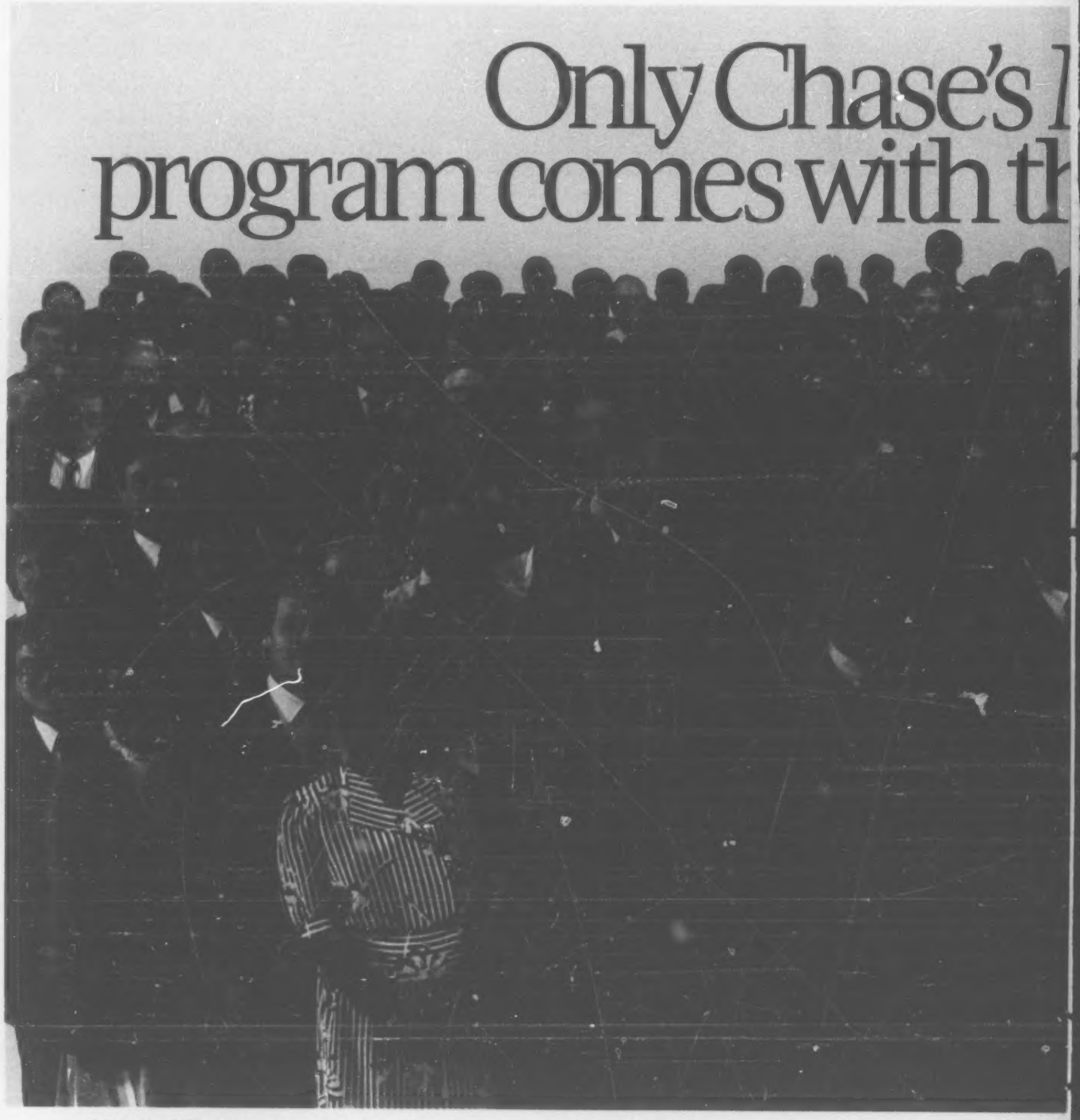

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come accruals; unitized accounting and consolidated reporting; cash management; portfolio analysis; performance measurement; report customization; legal administrative guidance; benefit disbursing; participant record-keeping; securities lending; investment management consulting; and options and futures processing.

Monthly transaction reports, asset and liability reports and performance measurement reports are available 10 days after the end of a period. Performance measurement reports are available on-line.

Fees are based on book value and the number of plans.

The client contact is Doug Wannamaker, vice president-corporate services.

### Harris Trust and Savings Bank

*111 W. Monroe St., Chicago, Ill. 60603; (312) 461-2121*

| | |
|---|---|
| Master trust assets | $35,600,000,000 |
| Master custodial assets | $1,089,000,000 |
| Master trust clients | 60 |
| Master custodial clients | 4 |
| Account supervisors | 7 |

Harris Trust and Savings Bank's master trust assets rose $5 billion as of June 30 from the previous year; master custodial assets increased $100 million.

The size of the largest master trust account is $10.5 billion; the smallest is $11 million.

The primary accounting method used is cash/settlement date. Accrual/trade date also is offered.

Basic master trust services include investment manager relations; income collection; cash sweep and investment; financial accounting; consolidated reporting; and performance measurement.

Optional services include global custody; benefit payments; securities lending; record-keeping; on-line access; custom reporting; investment consulting and analytics; TUCS; and systematic investment management.

Monthly transaction reports are available two to three business days after the end of a period; asset and liability reports are available in three to seven business days; and performance measurement reports, in 12 to 15 business days. Asset reports, transaction reports, short-term investment positions, broker commission reports, cusip number (ticker) reports, daily trading price range, market change, and performance measurement and analytics are available on-line.

New features include custom cash management and flexible, on-line reporting.

Fees are based on a combination of market value and individual services.

The client contact is Walter J. Kowalczyk.

### International Trust Co.

*Royal Bank Plaza, North Tower, P.O. Box 75, Toronto, Ontario M5J 2J2; (416) 865-0515*

| | |
|---|---|
| Master trust assets | $2,857,000,000 |
| Master trust clients | 20 |
| Account supervisors | 6 |

International Trust Co.'s master trust assets rose $827 million as of June 30 from the previous year. All figures are in U.S. dollars.

The size of the largest master trust account is $752 million; the smallest is $2.6 million.

The primary accounting method is settlement date. Trade date also is offered.

Basic master trust services are trusteeship; custodian; collection of income; settled trades; asset valuation; and full plan accounting.

Optional services include STIF; securities lending; participant record keeping; various pooled funds; global services; and benefit payments.

Monthly transaction reports are available the first business day after the end of the period; asset and liability reports are available in six days; and performance measurement reports, in 10 days. All are available on-line.

Fees vary according to client involvement.

The client contact is William Pascoe.

### Irving Trust Co.

*1 Wall St., New York, N.Y. 10015; (212) 635-1720*

| | |
|---|---|
| Master trust assets | $15,500,000,000 |
| Master custodial assets | $37,000,000,000 |
| Master trust clients | 32 |
| Master custodial clients | 41 |
| Account supervisors | 53 |

Irving Trust Co.'s master trust assets rose $3.5 billion as of June 30 from the previous year; master custodial assets increased $6 billion.

The size of the largest master trust account is $3.5 billion; the smallest is $16 million.

The primary accounting method is fully accrued trade date; settlement date also is offered.

Basic master trust services include transaction clearance; asset custody; reporting; zero balance cash management; fail float investment credit; and contractual settlement.

Optional services include performance analytics and consulting; securities lending; global custody; specialized short-term investment funds; investment management; and on-line portfolio status.

Monthly transaction reports, asset and liability reports and performance measurement reports are available five days after the end of a period. All are available on-line.

New features include PC-based securities communication and reporting system, a benefit disbursement system and hardware and software.

Fees are based on transactions and market value.

The client contact is P.L. McNamara, vice president.

### Manufacturers Hanover Trust Co.

*530 Fifth Ave., New York, N.Y. 10036; (212) 819-1580*

| | |
|---|---|
| Master trust assets | $21,000,000,000 |
| Master custodial assets | $8,668,000,000 |
| Master trust clients | 87 |
| Master custodial clients | 30 |
| Account supervisors | 22 |

Manufacturers Hanover Trust Co.'s master trust assets rose $2.2 billion as of June 30 from the previous year; master custodial assets increased $668 million.

The size of the largest master trust account is $5.2 billion; the smallest is $2 million.

The primary accounting methods are trade date, settlement date, actual settlement date and full accrual.

Basic master trust services include full administrative services; legal administrative guidance; comprehensive monthly reports at the manager/plan and master trust levels; zero-balance cash management; fail float protection; options and futures processing; and ERISA reporting.

Optional services include benefit disbursing and related tax reporting; plan accounting; participant record-keeping; DRIP service; securities lending; performance measurement; TUCS; asset allocation/asset liability


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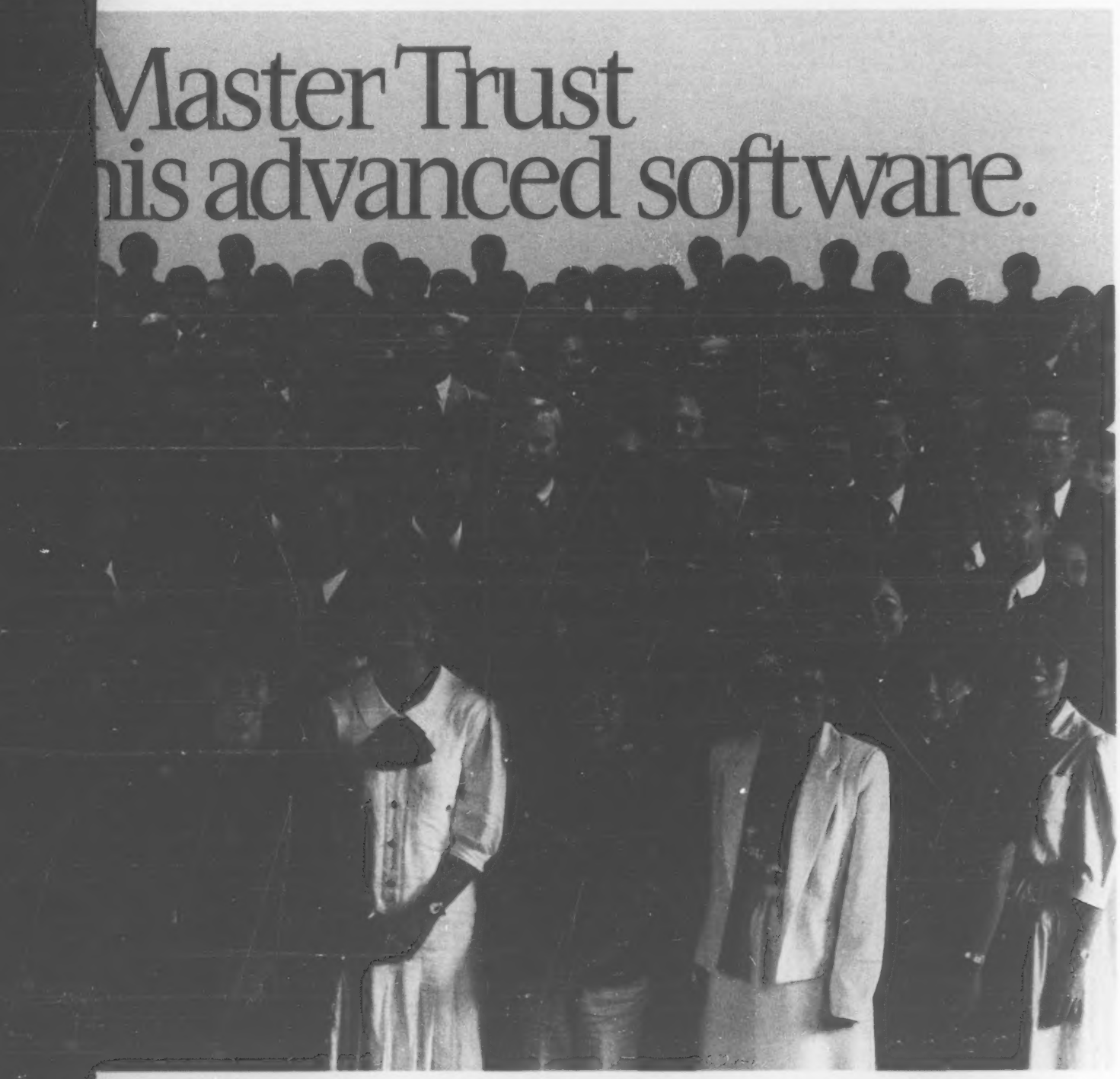

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planning; actuarial services; global custody; customized reporting; investment products; and on-line accounting and reporting.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available five to seven business days; and performance measurement reports, eight to 10 business days. All are available on-line.

New features include asset allocation/asset liability planning and actuarial services.

Fees are based on a combination of asset values and individual services.

The client contact is Renee San Marco, vice president.

### Manufacturers National Bank of Detroit

*100 Renaissance Center, Detroit, Mich. 48243; (313) 222-4470*

| | |
|---|---|
| Master trust assets | $13,397,000,000 |
| Master custodial assets | $2,645,000,000 |
| Master trust clients | 13 |
| Master custodial clients | 15 |
| Account supervisors | 6 |

Manufacturers National Bank of Detroit's master trust assets rose $372 million in the six months ended June 30; master custodial assets increased $208 million.

The size of the largest master trust account is $12.8 billion; the smallest is $4.95 million.

The primary accounting method is settlement date with trade date accruals.

Basic master trust services include monthly remittances of accumulated income; monthly cash and asset statements; annual summary accounting; and complete custodial services.

Optional services are cash management; securities lending; performance measurement; benefit payments; and participant record-keeping.

Monthly transaction and asset and liability reports are available five business days after the end of a period; performance measurement reports are available in four weeks.

Transaction reports, listing of assets, cash projections, available cash, tax lots for an asset, market values of assets and pending trades are available on-line.

New features include a bond index fund.

The client contact is Robert R. Schoonbeck.

### Marine Midland Bank

*250 Park Ave., New York, N.Y. 10177; (212) 503-2724*

| | |
|---|---|
| Master trust assets | $1,800,000,000 |
| Master custodial assets | $600,000,000 |
| Master trust clients | 30 |
| Master custodial clients | 40 |
| Account supervisors | 10 |

Marine Midland Bank's master trust assets rose $300 million as of June 30 from the previous year.

The size of the largest master trust account is $650 million; the smallest is $1 million.

The primary accounting method is accrual. Cash, modified cash and tax lot accounting also are offered.

Basic master trust services include trusteeship; safekeeping; income collection; effecting corporate actions; accounting reports; cash management; and ERISA and FASB reports.

Optional services include participant record-keeping; benefit payments; performance measurement; investment management; and securities lending.

Monthly transaction and asset reports are available five days after the end of a period. Performance measurement reports are available in 15 days. Pending trades, cash management information and asset lists are available on-line.

Fees are based on a combination of market value and complexity.

The client contact is Moira L. Patterson, assistant vice president.

### Marshall & Ilsley Trust Co.

*770 N. Water St., Milwaukee, Wis. 53202; (414) 287-7187*

| | |
|---|---|
| Master trust assets | $1,750,000,000 |
| Master custodial assets | $1,850,000,000 |
| Master trust clients | 35 |
| Master custodial clients | 5 |
| Account supervisors | 9 |

Marshall & Ilsley Trust Co.'s master trust assets rose $50 million as of June 30 from the previous year; master custodial assets also increased $50 million.

The size of the largest master trust account is $1.5 billion; the smallest is $3 million.

The primary accounting method is accrual.

Basic master trust services include performance measurement; participant record-keeping; ERISA disclosure; benefit disbursement; and investment management.

Optional services include on-line access to trust account, participant record-keeping and pension benefit information.

Monthly transaction reports, asset and liability reports and performance measurement reports are available five to seven business days after the end of a period. Asset and liability reports and transaction reports are available on-line.

New features include on-line participant record-keeping and benefit information, and automated trades.

Fees are based on a combination of asset value and individual services.

The client contact is Morry L. Birnbaum.

### Mellon Bank

*1 Mellon Bank Center, Pittsburgh, Pa. 15258; (412) 234-5000*

| | |
|---|---|
| Master trust assets | $86,289,000,000 |
| Master custodial assets | $11,910,000,000 |
| Master trust clients | 88 |
| Master custodial clients | 10 |
| Account supervisors | 14 |

Mellon Bank's master trust assets increased $10.1 billion as of June 30 from the previous year; master custodial assets increased $6.8 billion.

The size of the largest master trust account is $12.53 billion; the smallest is $2 million.

The primary accounting method offered is trade date, fully accrued. Cash accounting also is available.

Basic master trust services include automated cash sweep; conversion; administration; cash management; and accounting and reporting.

Optional services are securities lending; global custody; participant record-keeping; pension disbursement; performance measurement; options and futures; and on-line service.

Monthly transaction reports are available three days after the end of a period; asset and liability reports are available in three to five days; and performance measurement reports, in three to five weeks. All are available on-line.

New features include a mutual fund valuation system and enhanced on-line analytics.

Fees are based on a combination of asset value, individual services and account activity.

The client contact is Gary A. Rothman.

### Mercantile-Safe Deposit & Trust Co.

*2 Hopkins Plaza, P.O. Box 2257, Baltimore, Md. 21203; (301) 237-5551*

| | |
|---|---|
| Master trust assets | $2,200,000,000 |
| Master custodial assets | $1,900,000,000 |
| Master trust clients | 17 |
| Master custodial clients | 3 |
| Account supervisors | 5 |

Mercantile-Safe Deposit & Trust Co.'s largest master trust account is $800 million; the smallest is $2 million.

The primary accounting method is settlement date.

Basic master trust services include depository participation; benefit payments; option transactions; securities lending; cash management; investment analysis; investment performance measurement; ERISA reporting; and brokerage reporting.

Hard-copy reports are delivered in five to 10 business days.

Fees are based on asset value and income collected.

The client contact is H. Louis French, vice president.

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The investment consultants profile issue will be published Nov. 16.


## *Pensions & Investment Age's Fall 1987 Coverage is looking brighter than ever. . .*

**Issue Date:** September 21st
**Advertising Closing:** September 9th
. . . Property (which includes The Directory of Real Estate Advisers)
. . . Quantitative Investment Management

**Issue Date:** October 5th
**Advertising Closing:** September 23rd
. . . 3rd Quarter Investment Bank Rankings
. . . Special Report: Divestiture
. . . Special Report: Third World Debt

**Issue Date:** October 19th
**Advertising Closing:** October 7th
. . . Defined Contribution Plans

**Issue Date:** November 2nd
**Advertising Closing:** October 21st
. . . Cash Survey

**Issue Date:** November 16th
**Advertising Closing:** November 4th
. . . Consultants Directory
. . . 3rd Quarter P.I.P.E.R.

**Issue Date:** November 30th
**Advertising Closing:** November 16th
. . . Public Funds
. . . P.I.P.E.R./International, Real Estate, Special Equity

**Issue Date:** December 14th
**Advertising Closing:** December 2nd
. . . The best and the brightest money managers

**Issue Date:** December 28th
**Advertising Closing:** December 14th
. . . 1987 Highlights/1988 Outlook
. . . Best bets for 1988
. . . The Book of Lists

### Montreal Trust

*15 King St. W., Toronto, Ontario M5H 1B4; (416) 862-5649*

| | |
|---|---|
| Master trust assets | $5,691,000,000 |
| Master trust clients | 82 |
| Account supervisors | 9 |

Montreal Trust's master trust assets increased $1.46 billion as of March 31 from the previous year. All figures are in U.S. dollars.

The size of the largest master trust account is $813 million; the smallest is $1.5 million.

The primary accounting method is settlement date.

Basic master trust services are corporate trusteeship for consolidated pension funds; consolidated accounting; government reporting; automatic crediting and allocation of dividends and interest; trust documentation; benefit payments services; securities lending; global custody; options processing; on-line and microcomputer reporting; and index and STIF funds.

Monthly transaction reports and asset and liability reports are available 10 days after the end of a period; performance measurement reports are available in 15 days. Basic accounting and portfolio data are available on-line.

Fees are based on average book value.

The client contact is Ray La Force, vice president.

### National Bank of Detroit

*611 Woodward Ave., Detroit, Mich. 48226; (313) 225-2660*

| | |
|---|---|
| Master trust assets | $28,000,000,000 |
| Master trust clients | 115 |
| Account supervisors | 10 |

National Bank of Detroit's master trust and master custodial assets rose $6.3 billion as of June 30 from the previous year.

The size of the largest account is $8.5 billion.

The primary accounting method is cash; accrual also is offered.

Basic master trust services include custody and guaranteed safekeeping; full DTC and ID system services; ERISA compliance; and daily pricing.

Optional services include benefit disbursement; cash management; performance measurement; portfolio review; securities lending; global custody; and data monitor (on-line access).

Monthly transaction reports are available five to seven business days after the end of a period; asset and liability reports and performance measurement reports are available within five to 30 business days after the end of a period.

Cash statements, inventories, annual reports and performance reports are available on-line.

Fees are based on asset value, accounts and transactions.

The client contact is Larry D. Rankens.

### National Trust Co.

*21 King St. E., Toronto, Ontario M5C 1B3; (416) 361-3842*

| | |
|---|---|
| Master trust assets | $5,263,000,000 |
| Master trust clients | 95 |
| Account supervisors | 8 |

National Trust Co.'s master trust assets rose $1.42 billion as of June 30 from the previous year. All figures are in U.S. dollars.

The size of the largest master trust account is $2.63 billion; the smallest is $752 million.

The primary accounting method is contractual settlement date with pending adjustment.

Basic master trust services are master trust reporting; benefit disbursements; income collection; and safekeeping of securities.

Optional services include performance measurement; securities lending; index fund; STIF; global fund; on-line inquiry; and downloading.

Monthly transaction reports are available five business days after the end of a period; asset and liability reports are available in 10 business days; and performance measurement reports, in 12 business days. Monthly statement of accounts and monthly market valuations are available on-line.

New features include cash sweeps for client-directed cash management and active securities lending.

Fees are based on a combination of asset value and individual services. Client contact is Julie K. Spergel.

### The Northern Trust Co.

*50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000*

| | |
|---|---|
| Master trust assets | $67,330,000,000 |
| Master custodial assets | $41,812,000,000 |
| Master trust clients | 156 |
| Master custodial clients | 71 |
| Account supervisors | 45 |

The Northern Trust Co.'s master trust assets rose $10.24 billion as of June 30 from the previous year; master custodial assets rose $6.8 billion.

The largest master trust account is $6 billion; the smallest is $9.9 million.

The primary accounting method is settlement date, fully accrued; trade date reporting also is offered.

Basic master trust services are administration; custody of assets; trade settlement; income collections; daily pricing; coding; capital structures changes; automated tax lot accounting; investment reports; and automated cash sweep.

Optional services are global custody; electronic delivery system; cash investments; structured investments, such as asset allocation control, cash synthetic programs, portfolio restructuring, portfolio insurance, equity index funds and fixed-income funds; traditional investments; performance measurement; securities lending; benefit disbursement; participant record-keeping; options and futures accounting; and plan accounting.

Monthly transaction reports are available three business days after the end of a period; asset and liability reports are available in five business days; and performance measurement reports, in 15 to 25 days. All accounting and performance analysis information is available on-line. Clients can create customized reports and download all information to their PCs.

New features include performance measurement; structured investments, such as a Japan index fund and enhanced fixed-income and balanced funds; and three cash management programs.

Fees are based on the number of investment managers, number and types of transactions and the market value of assets.

The client contact is Thomas W. Kimen Jr.

### Norwest Bank Minneapolis

*8th and Marquette, Minneapolis, Minn. 55424; (612) 372-0694*

| | |
|---|---|
| Master trust assets | $2,600,000,000 |
| Master custodial assets | $700,000,000 |
| Master trust clients | 23 |
| Master custodial clients | 4 |
| Account supervisors | 11 |

Norwest Bank Minneapolis' master




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trust assets rose $600 million as of June 30 from the previous year; master custodial assets increased $100 million.

The size of the largest master trust account is $650 million; the smallest is $2 million. The primary accounting method is trade date; settlement date also is offered.

Basic master trust services are cash management; plan accounting; performance measurement; ERISA reporting; and asset/transaction reports.

Optional services are TUCS; asset allocation; securities lending; benefit payments; investment services; and on-line access.

Monthly transaction reports and asset and liability reports are available 10 days after the end of a period; performance measurement reports are available in 15 business days. Transaction, pending trade, income projection and asset reports are available on-line.

Fees are based on assets, transactions and specific charges.

The client contact is Roger Birkholz.

### Royal Trust Corp. of Canada

*P.O. Box 7500, Station A, Toronto, Ontario M5W 1P9; (416) 864-6395*

| | |
|---|---|
| Master trust assets | $16,876,000,000 |
| Master trust clients | 133 |
| Account supervisors | 14 |

Royal Trust Corp. of Canada's master trust assets rose $4.49 billion as of June 30 from the previous year. All figures are in U.S. dollars.

Settlement date is the primary accounting method used. Full adjustment to trade date in fund financial statements also is offered.

Basic master trust services are safe custody; Canadian, U.S. and overseas settlement; corporate changes; compliance monitoring; income anticipation; expiry date notification; check or EFT benefit payments; full financial reporting; and return calculations.

Optional services are performance measurement and analysis; securities lending; on-line data entry/inquiry; downloading; asset/liability forecasting; global custody; and domestic and foreign management.

Monthly transaction reports are available five business days after the end of a period; asset and liability reports are available in 10 to 20 business days; and performance measurement reports, in seven weeks. Transactions, assets, trade status, cash forecasting and asset valuations and analysis are available on-line.

New features include expanded on-line capabilities; asset/liability forecasting with CICA/FASB '87 capabilities (Prediktor 4).

Fees are based on asset value plus transactions and reports charges.

The client contact is M. Fraser Blakely, vice president-pension and custodial services.

Security Pacific

### Security Pacific

*333 S. Grand Ave., Suite 1740, Los Angeles, Calif. 90071; (213) 229-2999*

| | |
|---|---|
| Master trust assets | $3,200,000,000 |
| Master custodial assets | $35,000,000,000 |
| Master trust clients | 12 |
| Master custodial clients | 30 |
| Account supervisors | 5 |

Security Pacific's master trust assets rose $500 million as of June 30 from the previous year; master custodial assets increased $10 billion.

The largest master trust account is $1.1 billion; the smallest is $4.5 million.

The primary accounting method is trade date/full accrual; contractual settlement date/cash basis accounting also is offered.

Basic master trust services are benefit payments; securities lending; performance measurement; on-line inquiry; analytics; global custody; customized reporting; ERISA reporting; PC workstation; unitized accounting; and asset liability reports.

Optional services include performance measurement reporting; benefit payments; analytics; and securities lending.

Monthly transaction reports are available one day after the end of a period; asset and liability reports are available in five to seven days; and performance measurement reports in 15 to 21 days. All are available on-line.

New features include automating trade instructions, expanded download and report writer.

Fees are based on market value and activity.

The client contact is Brad Marcus, senior vice president and director-marketing and sales.

### State Street Bank and Trust

*P.O. Box 1992, Boston, Mass. 02101; (617) 847-7490*

| | |
|---|---|
| Master trust assets | $93,185,000,000 |
| Master custodial assets | $97,705,000,000 |
| Master trust clients | 143 |
| Master custodial clients | 67 |
| Account supervisors | 56 |

State Street Bank and Trust Co.'s master trust assets rose $64.15 billion as of June 30 from the previous year; master custodial assets increased $32.57 billion.

The size of the largest master trust account is $22 billion; the smallest is $1 million.

The primary accounting method is true trade date, full accrual.

Basic master trust services are safekeeping of assets; cash management; settlement and control of all trades; corporate action monitoring; determination and collection of income; cash availability reporting; accounting for options, futures and real estate; interactive general ledger accounting; DTC and FBE participation; on-line institutional delivery system; daily, weekly or monthly valuation of assets; fiduciary control; plan accounting; 401(k) capabilities; and securities lending.

Optional services include global custody, with full, multicurrency accounting, record keeping and reporting services; on-line client services; and analytics, including rate of return indexes, performance attribution, minimizing misfit, creating a target portfolio and customized reporting; and asset management.

Monthly transaction reports are available three to seven business days after the end of a period; asset and liability reports are available in five to seven business days; and performance measurement reports, in seven to nine business days. All reports are available on-line.

New features are a portfolio accounting and settlement system; enhancements to global custody services; on-line client services; and analytics futures and options processing.

Fees are based on asset value, portfolio structure and trading volumes. Optional services are priced separately.

The client contacts are John Houlihan and J.D. Nelson (for public funds), senior vice presidents.

### Trust Co. Bank

*P.O. Box 4655, Atlanta, Ga. 30302; (404) 588-7319*

| | |
|---|---|
| Master trust assets | $941,000,000 |
| Master custodial assets | $1,313,000,000 |
| Master trust clients | 12 |
| Master custodial clients | 4 |
| Account supervisors | 4 |

Trust Co. Bank's master trust assets rose $491 million as of June 30 from the previous year; master custodial assets increased $613 million.

The largest master trust account is $750 million; the smallest is $7 million.

The primary accounting method is trade date; contractual settlement date also is offered.

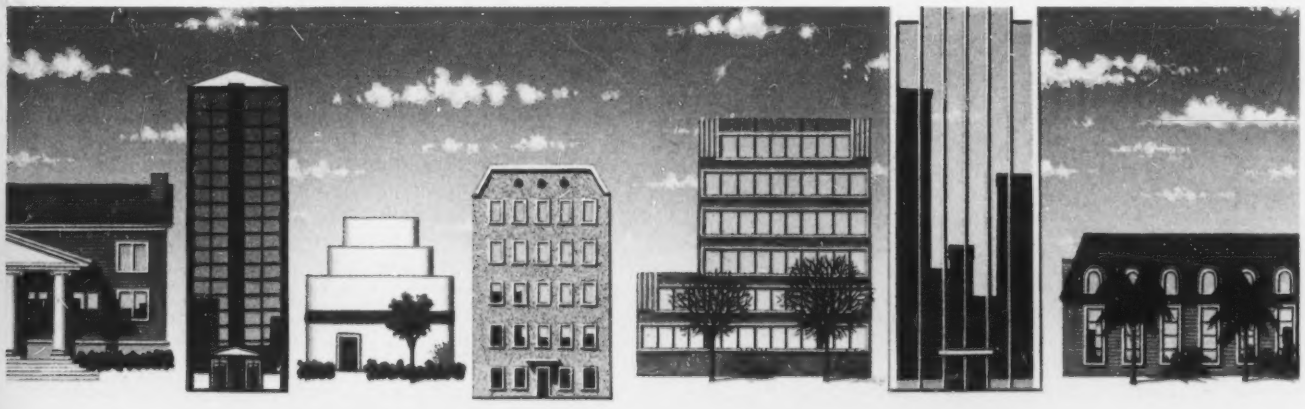
Basic master trust services are trade settlement; security safekeeping; account statements; investment reports; global custody; cash management; and options and futures processing.

Optional services are performance measurement; securities lending; on-line access; participant record-keeping; and benefit payments.

Monthly transaction and asset and liability reports are available two days after the end of a period; performance measurement reports are available in 25 days. Transaction and asset and liability reports are available on-line.

New features include enhanced performance measurement.

Fees are based on market value, transactions and the number of money managers.

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## Directory

The client contact is Paul L. Robertson III, vice president.

### United States Trust Co. of New York

*45 Wall St., New York, N.Y. 10005; (212) 806-3834*

| | |
|---|---|
| Master trust assets | $12,500,000,000 |
| Master custodial assets | $9,500,000,000 |
| Master trust clients | 34 |
| Master custodial clients | 85 |
| Account supervisors | 9 |

United States Trust Co. of New York's master trust assets rose $500 million as of June 30 from the previous year; master custodial assets increased $1 billion.

The largest master trust account is $2 billion; the smallest is $2 million.

The primary accounting method is cash, actual settlement.

Basic master trust services are trade processing; safekeeping; dividend and interest collection; statements; monthly valuations; Form 5500 ERISA reports; and annual accounting.

Optional services include securities lending and various investment technologies reports.

Monthly transaction reports are available in two to five days after the end of a period; asset and liability reports are available in two to seven days; and performance measurement reports, in 15 days. Transaction and performance measurement reports are available on-line.

New features include flexible report writing.

Fees are based on market value, number of accounts and transactions.

1987 Canadian master trust banks

| Bank | Assets (U.S. $ mils.) |
|---|---|
| Royal Trust Corp. of Canada | 10,874 |
| Montreal Trust | 5,971 |
| National Trust | 5,553 |
| International Trust | 2,857 |
| Guaranty Trust Co. of Canada | 907 |
| Total | 34,594 |

The client contact is Robert Pagano, vice president.

### Wilmington Trust Co.

*Rodney Square North, Wilmington, Del. 19890; (302) 651-1000*

| | |
|---|---|
| Master trust assets | $12,414,000,000 |
| Master custodial assets | $140,000,000 |
| Master trust clients | 10 |
| Master custodial clients | 1 |
| Account supervisors | 4 |

Wilmington Trust Co.'s master trust assets rose $1.4 billion as of June 30 from the previous year; master custodial assets increased $140 million.

The largest master trust account is $11.4 billion; the smallest is $2 million.

The primary accounting method used is trade date, fully accrued. Contractual settlement date accounting also is offered.

Basic master trust services include custody; cash management; master trust reporting; and options and futures processing.

Optional services are investment and analytic services; on-line access; securities lending; global custody; pension disbursement; and participant record-keeping.

Monthly transaction reports are available one day after the end of a period; asset and liability reports are available in two days; and performance measurement reports, in 14 days. Monthly transaction and asset and liability reports are available on-line.

New features include expanded on-line access capabilities; dedicated collective funds; and foreign securities lending.

Fees are based on asset value and specific services provided.

The client contact is Barbara A. Uberti.

## Assets hit . . .

*Continued from page 36*

the "public side is still bubbling," Mr. Golz said.

In April, State Street was named custodian for the $25.6 billion California State Teachers' Retirement System, Sacramento, as part of the fund's three-year investment management plan.

"We wanted a large custodian whose system wouldn't be overstressed by an account of our size," said Sandra Martin-King, assistant chief executive officer-investments of the California fund.

As in the master trust arena, the 10 largest master custodians control most of the market — 86.7%, the *P&I Age* data indicated.

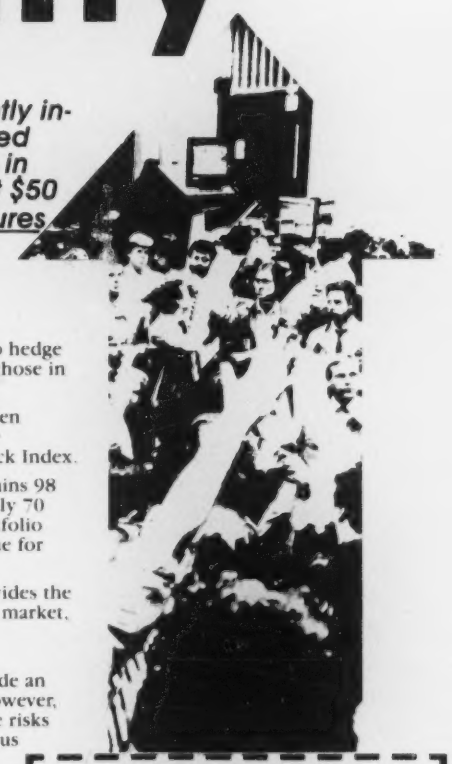
State Street's market share is 16.1%. Chase Manhattan (14%); Citibank, New York, (12%); Boston Safe Deposit & Trust Co. (8.7%); and Bank of New York (8.5%), rounded out the top five.

Meanwhile, regional banks have been making inroads in the master custody market, according to James F. McHale, senior vice president of First Pennsylvania Bank, Philadelphia. First Pennsylvania is prepared to take business away from the larger players, particularly big New York banks, Mr. McHale said.

Boston Safe Deposit was the fastest growing master custodian during the period, however, amassing $53.2 billion is assets, up from $5.6 billion a year ago.

Boston's rise into the upper echelon of master custody banks was fueled by its December acquisition of the $30 billion California Public Employees' Retirement System account. ■

Nifty fifty



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*The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by* Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

# Oil price hike heats up special equities

**By Jacqueline Dutton**

A $2-per-barrel boost in crude oil prices during the second quarter provided the fuel for the top special equity fund return in Pensions & Investments' Performance Evaluation Report for the period ended June 30.

The $35 million Citicorp Investment Management Inc. Resources Fund, which invests in natural resource companies, also had the second-best performance for the year ended June 30.

"Basically we positioned ourselves so we could take advantage of the appearance that OPEC was pulling itself together and effectively managing its output," said Richard Collins, manager of the resource fund. "We were also becoming concerned with the rising tension in the Middle East and had the perception that a cutoff of supply there could lead to higher prices."

The timing paid off for the fund — which returned 8.3% for the second quarter and 39.2% for the 12-month period — as oil prices climbed from $18 a barrel on April 1 to $20 a barrel June 30.

The fund's performance was more impressive when compared with the market benchmark than the returns generated by the median manager in PIPER's universe of 102 managers. In all periods measured except the 10-year period, fewer than 10 money managers were able to beat Standard & Poor's 500 stock index.

The median manager in the PIPER universe returned 0.3% for the second quarter, while the S&P returned 5%. For the 12-month period, the median return was 13.4%, compared to 25.2% for the S&P index.

Along with the Citicorp Resources Fund, funds beating the index in the second quarter were: E.F. Hutton Trust Co., Wilmington, Del., Growth Fund B, 7.6%; Citicorp Special Situation Fund, 5.6%; Shawmut Bank of Boston, Target Equity Fund, 5.5%; First National Bank of Chicago, Institutional Special Fund, 5.5%; Chemical Bank, New York, Value Fund, 5.4%; and First National Bank of Boston, Equity Yield Fund, 5.3%.

Mr. Collins said because the fund's managers believed oil prices were climbing, they acquired stocks in companies they believed would benefit from the gains. Some of their picks were **Atlantic Richfield Co.**, **British Petroleum Co. PLC**, **Royal Dutch Petroleum Co.**, and **Anadarko Petroleum Corp.** The fund also benefited from investments in **Standard Oil Co.**, which was taken over by British Petroleum during the period, and **Schlumberger Ltd.**, in the oil service sector.

In addition, the fund held stock in both **Pennzoil Co.** and **Texaco Inc.** to hedge against the outcome of the legal battle between the two companies.

But a positive outlook for oil prices — which have since plummeted — wasn't the only factor behind the stock selections made for the fund over the past 12 months. Mr. Collins said a belief that inflation would cause an increase in the price of mineral stocks led to investments in **Alcan Aluminum Ltd.**, **Reynolds Metals Co.**, **LAC Minerals Ltd.** and **American Barrick Resources Corp.**

Another Citicorp fund was also a top performer for the second quarter. The $125 million Special Situation Fund returned 5.6% to place third.

Ted Ujazeowski, Citicorp vice president and manager of the fund, said the diversified, value-seeking fund did especially well during the second quarter with its mix of 25 stocks because of weightings in the media and entertainment industry. Among the holdings were: **Time Inc.**, **LIN Broadcasting**, **Warner Communications** and **Tele-Communications**, the cable TV giant.

"There was an awful lot of inherent value in the cable industry," Mr. Ujazeowski said. "The cash flows that are being generated by cable television networks are very large right now, and there is a scarcity in the number of franchises."

He said franchise dominance was also a factor in selection of two gaming industry stocks **Bally Manufacturing Corp.** and **Resorts International Inc.**

The only fund that outperformed Citicorp's resource fund for the one-year period was First RepublicBank's $12 million select equity fund, which returned a whopping 80.8%. Much of the Dallas-based fund's gain came during the first quarter of 1987 when it returned 55.8%; its return for the second quarter was y023.2.2%. The fund's return for the year ended March 31 was 108.9% (*Pensions & Investment Age*, June 1).

Edward Anderson, chairman of the bank's investment arm, First Republic Asset Management Co., said the fund's recent choices have been. **Ashton-Tate**, a software and data processing firm; **Old Republic International Corp.**, an insurance firm; **American Bankers Insurance Group**; and **Shearson Lehman Brothers Holdings Inc**.

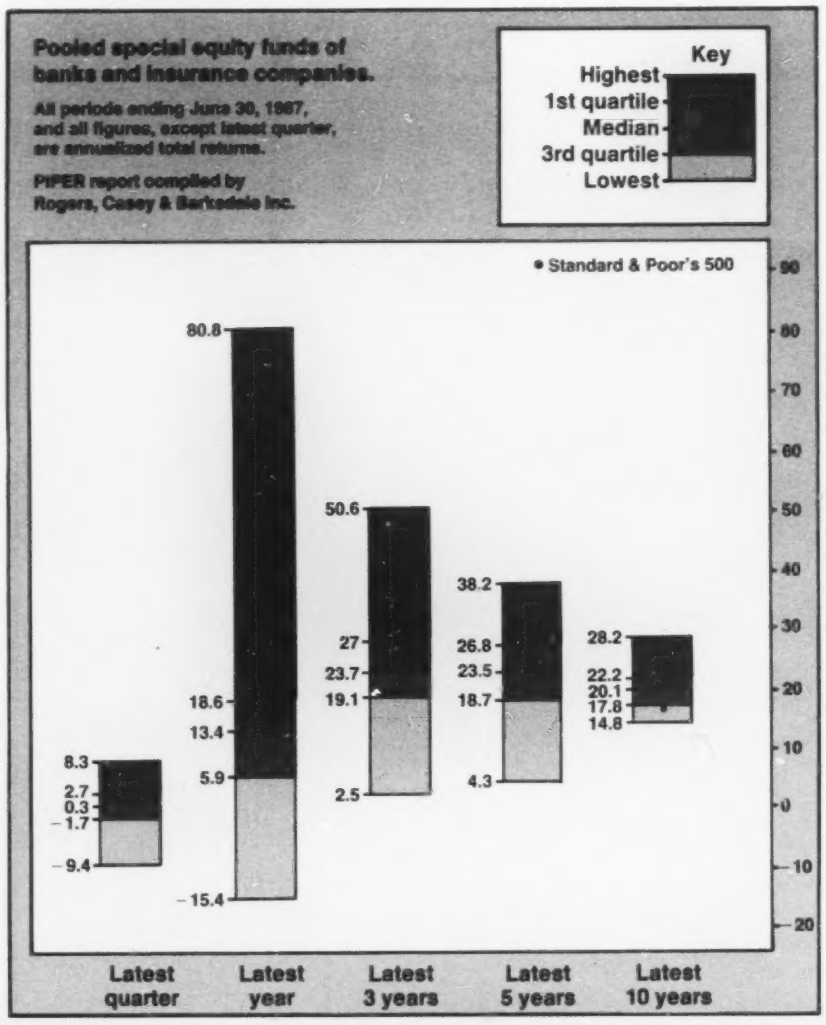
Citicorp wasn't the only firm with two funds topping the PIPER returns charts. E.F. Hutton Trust Co.'s Growth Fund B and Emerging Growth B fund were leading performers in the second quarter, one-year and the three-year periods.

The emerging growth fund placed third for the one-year period with a 34.8% return. Other funds beating the S&P 500 for the 12 months ended June 30 were First National Bank of Boston, Equity Yield Fund, 29.6%; and Society National Bank of Cleveland, Ohio Regional Equity Fund, 26.5%.

The two E.F. Hutton funds came in first and second in three-year returns, as the growth fund returned 50.6% compound annualized and the emerging growth fund returned 45.9% compound annualized. First RepublicBank's Select Equity fund rounded off the top three with a 44.3% compound annualized return.

The PIPER median return for the three-year period was 23.7%, and the S&P 500 returned 30.6%. Other funds beating the

*Continued on page 62*




# Weak-currency markets a strong play

**By Marlene Givant**

Concentration on such fast-growing, weak-currency markets as the United Kingdom and Hong Kong aided managers' returns during periods ended June 30, according to the Pensions & Investments' Performance Evaluation Report.

Yet low inflation/strong currency markets such as the Netherlands and West Germany still are favored by many firms.

For the quarter ended June 30, top managers championed Japan's 5.8% correction in June, which dragged down the return of the Morgan Stanley Capital International Europe Australia Far East index. Fifteen of 33 international managers were able to beat the 7.1% return of EAFE, which had 57% in Japan.

The $37 million International Low P/E Fund of Provident Capital Management Inc., Philadelphia — ranked first for the quarter with a 14.2% return — gained 20.1% in the Japanese portion of its portfolio while the Japanese market rose 7.3% in the second quarter. Among the holdings of the firm, which invested 38% in Japan, were **Matsushita Reiki**, the country's largest refrigerator manufacturer, and **Kureha Chemical**.

Provident has since raised Japan exposure to 42% using profits taken in the U.K. market, which comprises 15% of assets as compared with 19% in July, said Sandor Cseh, vice president-international investments.

Ranked second for the quarter with a 14% return, the $130 million International Equity Fund of Bankers Trust — Investment Management Group, New York, was heavy in Japan compared with other managers, with a 30.2% weighting.

The firm is beginning to overweight "hard currency" markets such as Germany and Switzerland and heavily overweights the Pacific Basin markets of Hong Kong, Singapore and Malaysia.

Because it expects oil prices to rise, BT invests in Australia and Canada for natural resource stocks. It also likes oil-related chemical stocks like Belgium's **Solvay** and Italy's **Montedison**.

The International Equity fund of CIGNA Corp., Hartford, Conn., ranked third for the quarter with an 11.9% return. The asset size was unavailable.

For the year ended June 30, the top fund was the passively managed $140 million International Equity Fund of American National Bank & Trust Co. of Chicago, which earned 65.7% vs. the EAFE's 58.7%.

The top actively managed fund, Marine Midland's $40 million International Equity Fund managed by Wardley Investment Services International Ltd., London, returned 62% for the year.

Wardley had 35% in Japan in domestic demand-oriented sectors such as chemicals, cement and real estate because it believed those industries would gain from the then-decreasing interest rates. Stocks include **Nihon Cement** and **Tokyu Corp.**

Using assets from small Far East markets, it plans to raise its Japan allocation to 50% in the third quarter and raise U.K. exposure to 24%, said Ian Henderson, director.

The firm boosted West Germany's weighting to 10% from 2% during the quarter because it believed the dollar would firm. Now, as the deutsche mark strengthens, it plans to eliminate German exposure and reduce the allocation to hard currency markets like Switzerland and the Netherlands.

Wardley invests 4% in New Zealand largely because of low price-earnings ratios and good growth prospects.

Ranked third for the year with a 60.2% return was the passively managed $470 million International Equity Market Fund of Wells Fargo Investment Advisors, San Francisco.

The top manager for the three years with a 61.6% compound annualized return vs. EAFE's 55%, BA Investment Management International Ltd., London, got clobbered in the second quarter with a 2.7% return because it had no Japanese exposure.

It has been out of that market for a year.

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## Top quartile commingled special equity funds

### 3-month returns

| | % |
|---|---|
| Citicorp (Resources), N.Y. | 8.3 |
| E.F. Hutton Trust (Gro. B) | 7.6 |
| Citicorp (Sp. sit.), N.Y. | 5.6 |
| Shawmut Bank (Target), Mass. | 5.5 |
| First of Chicago (Inst. sp.) | 5.5 |
| Chemical Bank (Value), N.Y. | 5.4 |
| First of Boston (Yield) | 5.3 |
| **Standard & Poor's 500** | **5.0** |
| Bank One, Ohio | 4.8 |
| Equitable Life (Gro.), N.Y. | 4.3 |
| Nat'l Bank of Detroit (Int. Value F) | 4.3 |
| Phoenix Mutual (Gro. S), Conn. | 4.0 |
| Comerica Bank, Mich. | 3.6 |
| Bank of America, Calif. | 3.5 |
| Manufacturers Hanover (Uncom.) | 3.4 |
| Old Second Nat'l (HR 10), Ill. | 3.3 |
| First Alabama, Mobile | 3.3 |
| Seafirst Bank (Northwest), Wash. | 3.2 |
| Marsh & McLennan Trust (Putnam) | 3.1 |
| General American (II), Mo. | 3.0 |
| E.F. Hutton Trust (Gro. B) | 3.0 |
| Wachovia Bank (Div. cap.), N.C. | 2.8 |
| Society Nat'l (Ohio reg.), Ohio | 2.7 |

### 1-year returns

| | % |
|---|---|
| First RepublicBank (Sel.), Texas | 80.8 |
| Citicorp (Resources), N.Y. | 39.2 |
| E.F. Hutton Trust (Emer. B), Del. | 34.8 |
| First of Boston (Yield) | 29.6 |
| Society Nat'l (Ohio reg.), Ohio | 26.5 |
| Manufacturers Hanover (Supp.) | 25.2 |
| **Standard & Poor's 500** | **25.2** |
| E.F. Hutton Trust (Gro. B), N.Y. | 25.2 |
| Nat'l Bank of Detroit (F) | 24.9 |
| First Alabama, Mobile | 23.1 |
| Harris Trust (Spec. cap.), Ill. | 22.4 |
| Texas Commerce | 22.2 |
| Oregon Bank (Agg.) | 22.1 |
| Morgan Guaranty (Supp.), N.Y. | 22.0 |
| Chase Manhattan (Value), N.Y. | 21.6 |
| Central Fidelity (Agg.), Va. | 21.5 |
| Phoenix Mutual (Gro. S), Conn. | 21.4 |
| Bank of America, Calif. | 20.0 |
| California First Bank (Supp.) | 19.6 |
| Marsh & McLennan (Putnam) | 19.5 |
| Manufacturers Hanover (Uncom.) | 19.3 |
| Irving Trust (II), N.Y. | 18.9 |
| Security Pacific (G), Calif. | 18.7 |

### 3-year returns

| | % |
|---|---|
| E.F. Hutton Trust (Gro. B), Del. | 50.6 |
| E.F. Hutton Trust (Emer. B), Del. | 45.9 |
| First RepublicBank (Sel.), Texas | 44.3 |
| Fidelity Mgmt. Trust (Agg.), Mass. | 36.2 |
| Trust Co. of the West | 34.6 |
| Security Pacific (Gro. G), Calif. | 33.4 |
| Chase Manhattan (Inter. cap.) | 32.1 |
| Manufacturers Hanover (Supp.) | 31.2 |
| First of Boston (Yield) | 30.9 |
| **Standard & Poor's 500** | **30.6** |
| Citicorp (Emer.), N.Y. | 29.5 |
| Citicorp (Sp. sit.), N.Y. | 29.4 |
| First of Neenah (Income), Wisc. | 29.4 |
| Old Second Nat'l (HR 10), Ill. | 28.8 |
| Bankers Trust (Supple), N.Y. | 27.9 |
| Northern Trust, Ill. | 27.5 |
| Metropolitan Life (SA 43) | 27.5 |
| LaSalle Nat'l (Small cap.), Ill. | 27.3 |
| Society Nat'l (Ohio reg.), Ohio | 27.2 |
| Harris Trust (Cap.), Ill. | 27.1 |

### 5-year returns

| | % |
|---|---|
| Fidelity Mgmt. Trust (Agg.), Mass. | 38.2 |
| Security Pacific (G), Calif. | 37.6 |
| Citicorp (R.E.), N.Y. | 32.9 |
| California First Bank (Supp.) | 31.6 |
| Citicorp (Spec. sit.), N.Y. | 30.8 |
| Chase Manhattan (Int. cap.) | 30.4 |
| Connecticut Nat'l (Supp.) | 29.4 |
| First of Boston (Yield) | 28.2 |
| **Standard & Poor's 500** | **27.9** |
| Society Nat'l (Ohio reg.), Ohio | 27.5 |
| Bank of America, Calif. | 27.3 |
| Equitable Bank (Spec.), Md. | 27.3 |
| Provident Nat'l, Pa. | 27.3 |
| Chase Manhattan (Value), N.Y. | 27.1 |
| First of Boston (II) | 27.0 |
| Bankers Trust (Supp.), N.Y. | 27.0 |

### 10-year returns

| | % |
|---|---|
| California First Bank (Supp.) | 28.2 |
| MTrust (Growth), Texas | 26.4 |
| Bankers Trust (Supp.), N.Y. | 25.4 |
| Northern Central, Pa. | 23.3 |
| First of Maryland | 23.0 |
| Chase Manhattan (Int. cap.), N.Y. | 22.6 |
| Equitable Bank, Md | 22.4 |
| Bank of America, Calif. | 22.3 |
| **Standard & Poor's 500** | **17.2** |

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# Oil . . .

*Continued from page 61*

benchmark for the period included: Fidelity Management Trust Co., Boston, Aggressive Equity Fund, 36.2%; Trust Company of the West, Los Angeles, Special Equity Fund, 34.5%; and Security Pacific National Bank, Los Angeles, Growth Fund G, 33.4%.

The $20 million Growth Fund B, which generally seeks high-quality, Fortune 500 stocks, and has an average portfolio of 25 stocks with an annual turnover rate of 300%, favored tobacco and drug companies during the past year.

Steven Kroll, chief executive officer of E.F. Hutton Asset Management and adviser to the trust company fund, said the fund invested 20% of assets over the past year in such tobacco stocks as **Philip Morris Cos. Inc.**, **American Brands Inc.**, **RJR Nabisco Inc.** and **Loews Corp**. Another 25% was invested in drug stocks, including **Squibb Corp.**, **Merck & Co.** and **Schering-Plough Corp**.

Other stock choices were: **F.W. Woolworth**, **Goodyear Tire & Rubber Co.**, **Eastman Kodak Co.**, **USAir Group Inc.**, **Raychem Corp.**, **Colgate-Palmolive Co.**, and **Gillette Co.**, Mr. Kroll said.

The E.F. Hutton Trust Co. Emerging Growth B Fund also goes after high-earnings stocks, but differs in that it targets small-capitalization stocks. Mr. Kroll said the $10 million fund did well in the 12-month period on such diversified stocks as **Integrated Resources Inc.**, a financial services and insurance concern; **Nike Inc.**, a footwear retailer; **Petrie Stores Corp.**; **Budget Rent A Car Corp.**; and **Echo Bay Mines Ltd.**, a gold miner.

The Fidelity Management Trust Co. Aggressive Equity Fund, which had the fourth-highest return over the three-year period, took top honors in the five-year period ended June 30 with a compound annualized return of 38.2%. Right behind was Security Pacific's Growth Fund G, which had a compound annualized return of 37.6%. Third was Citicorp's Real Estate Stock Fund which returned 32.9% compound annualized.

The median fund in the PIPER universe returned 23.5% compound annualized for the five-year period, and the S&P 500 returned 28% compound annualized.

Other funds which outperformed the S&P 500 for the five-year period include: California First Bank, San Diego, Supplemental Equity Fund, 31.6%; Citicorp Special Situation Fund, 30.8%; and The Chase Manhattan Bank, New York, International Capital Equity, 30.4%.

California First Bank's fund scored the highest return over the 10-year period ended June 30, 28.2% compound annualized.

MTrust, Dallas, followed with a 26.4% compound annualized return, and Bankers Trust Co., New York, was next in line with a 25.4% compound annualized return.

The median fund returned 20.1% for the 10-year period, and the S&P 500 returned 17.2%, both annualized.

Other top performers over the 10-year period include the annualized returns of: Northern Central Bank, Williamsport, Pa., Special Equity Fund, 23.3%; First National Bank of Maryland, Baltimore, Special Equity Fund, 23%; Chase Manhattan International Capital Equity Fund, 22.6%; and Equitable Bank, Baltimore, 22.4%. ■

## Commingled International

### 3-month returns

| | % |
|---|---|
| Provident Nat'l (Low p/e), Pa. | 14.2 |
| Bankers Trust, N.Y. | 14.0 |
| CIGNA Corp., Conn. | 11.9 |
| First of Chicago | 9.9 |
| Wellington Trust (Pacific basin) | 9.7 |
| First RepublicBank (Eq.), Texas | 9.5 |
| Marsh & McLennan Trust (Putnam) | 9.5 |
| Marine Midland (Eq.), N.Y. | 9.3 |
| U.S. Trust (Eq.), N.Y. | 9.3 |
| Bessemer Trust (E), N.Y. | 8.7 |
| Chase Manhattan (Global eq.) | 7.9 |
| Morgan Guaranty (Eq.), N.Y. | 7.6 |
| Wells Fargo (Eq.), Calif. | 7.6 |
| Centerre Trust (Coll. W), Mo. | 7.4 |
| **MSCI EAFE Index** | **7.1** |
| State Street Bank (Index), Mass. | 7.1 |
| American Nat'l Chicago (Eq.) | 6.5 |
| HT Investors (Eq.), R.I. | 6.3 |
| IDS Trust (Coll. eq.), Minn. | 6.1 |
| **MSCI World Index** | **6.0** |
| Citicorp (Eq.), N.Y. | 5.2 |
| Aetna MIM (Eq.), Conn. | 4.5 |
| Wellington Trust (Eq.), Mass. | 3.9 |
| Fidelity Mgmt. Trust (Overseas) | 3.6 |
| California First Bank (Eq.) | 3.4 |
| Prudential (Print eq.), N.J. | 3.0 |
| Bank of America (Eq.), Calif. | 2.7 |
| Toledo Trust (Eq.), Ohio | 2.7 |
| First of Chicago (Non-dlr. fixed) | 1.7 |
| Wellington Trust (Bond), Mass. | 1.6 |
| Morgan Guaranty (Bond), N.Y. | 1.0 |
| Prudential (Global bond), N.J. | 0.3 |
| Prudential (Foreign bond), N.J. | 0.3 |
| Citicorp (Fixed), N.Y. | 0.0 |
| Bank of America (Fixed), Calif. | −0.9 |
| Toledo Trust (Global bond), Ohio | −1.1 |

### 1-year returns

| | % |
|---|---|
| American Nat'l Chicago (Eq.) | 65.7 |
| Marine Midland (Eq.), N.Y. | 62.0 |
| Wells Fargo (Eq.), Calif. | 60.2 |
| Bank of America (Eq.), Calif. | 59.6 |
| State Street Bank (Index), Mass. | 59.3 |
| **MSCI EAFE Index** | **58.7** |
| Wellington Trust (Pacific basin) | 58.4 |
| Fidelity Mgmt. Trust (Eq.), Mass. | 55.9 |
| Bessemer Trust (E), N.Y. | 53.5 |
| Chase Manhattan (Global eq.) | 51.5 |
| Bankers Trust (Eq.), N.Y. | 50.5 |
| CIGNA Corp. (Eq.), Conn. | 49.6 |
| Mellon Bank (Eq.), Pa. | 49.2 |
| First of Chicago (Eq.) | 48.2 |
| IDS Trust (Coll. eq.), Minn. | 45.7 |
| Wellington Trust (Eq.) | 43.6 |
| U.S. Trust (Eq.), N.Y. | 43.4 |
| **MSCI World Index** | **43.2** |
| Prudential (Print eq.), N.J. | 42.1 |
| Provident Nat'l (Low p/e), Pa. | 41.3 |
| HT Investors (Eq.), R.I. | 41.2 |
| Citicorp (Eq.), N.Y. | 40.4 |
| Centerre Trust (Col. W.), Mo. | 39.9 |
| First RepublicBank (Eq.), Texas | 39.2 |
| Morgan Guaranty (Eq.), N.Y. | 38.2 |
| Marsh & McLennan (Putnam) | 34.4 |
| California First Bank (Eq.) | 32.5 |
| Aetna MIM (Eq.), Conn. | 31.4 |
| First of Chicago (Non-dlr. fixed) | 28.0 |
| Citicorp (Fixed), N.Y. | 26.0 |
| Prudential (Foreign bond), N.J. | 24.4 |
| Toledo Trust (Eq.), Ohio | 24.2 |
| Morgan Guaranty (Bond), N.Y. | 21.6 |
| Prudential (Global bond), N.J. | 21.6 |
| Toledo Trust (Global bond), Ohio | 20.0 |
| Bank of America (Fixed), Calif. | 19.8 |
| Wellington Trust (Bond), Mass. | 18.2 |

### 3-year returns

| | % |
|---|---|
| Bank of America (Eq.), Calif. | 61.6 |
| American Nat'l Chicago (Eq.) | 55.4 |
| **MSCI EAFE Index** | **55.0** |
| Wells Fargo (Eq.), Calif. | 53.8 |
| Marine Midland (Eq.), N.Y. | 53.5 |
| Bessemer Trust (E), N.Y. | 51.5 |
| Bankers Trust (Eq.), N.Y. | 50.9 |
| Citicorp (Eq.), N.Y. | 49.9 |
| Wellington Trust (Pacific basin) | 49.8 |
| CIGNA Corp. (Eq.), Conn. | 49.8 |
| Chase Manhattan (Global eq.) | 49.1 |
| First of Chicago (Eq.) | 48.7 |
| IDS Trust (Coll. eq.), Minn. | 48.2 |
| Aetna MIM (Eq.), Conn. | 46.6 |
| Wellington Trust (Eq.), Mass. | 45.0 |
| Marsh & McLennan (Putnam) | 44.4 |
| Centerre Trust (Coll. W), Mo. | 44.4 |
| U.S. Trust (Eq.), N.Y. | 44.4 |
| First RepublicBank (Eq.), Texas | 44.3 |
| Mellon Bank (Eq.), Pa. | 43.1 |
| **MSCI World Index** | **42.1** |
| Morgan Guaranty (Eq.), N.Y. | 41.9 |
| HT Investors (Eq.), R.I. | 39.3 |
| Prudential (Global bond), N.J. | 34.4 |
| Prudential (Foreign bond), N.J. | 29.1 |
| Bank of America (Fixed), Calif. | 28.3 |
| First of Chicago (Non-dlr. fixed) | 28.0 |
| Citicorp (Fixed), N.Y. | 27.6 |
| Morgan Guaranty (Bond), N.Y. | 27.0 |
| Wellington Trust (Bond), Mass. | 20.2 |

### 5-year returns

| | % |
|---|---|
| **MSCI EAFE Index** | **40.4** |
| IDS Trust (Eq.), Minn. | 39.6 |
| Bankers Trust (Eq.), N.Y. | 39.6 |
| Bank of America (Eq.), Calif. | 39.6 |
| American Nat'l Chicago (Eq.) | 39.1 |
| Wells Fargo (Eq.), Calif. | 36.7 |
| Citicorp (Eq.), N.Y. | 36.5 |
| First of Chicago (Eq.) | 36.2 |
| U.S. Trust (Eq.), N.Y. | 36.1 |
| Marsh & McLennan (Putnam) | 35.2 |
| Centerre Trust (Col. W), Mo. | 34.7 |
| **MSCI World Index** | **34.0** |
| Bessemer Trust (E), N.Y. | 33.4 |
| Wellington Trust (Eq. port.) | 33.3 |
| Morgan Guaranty (Eq.), N.Y. | 32.9 |
| Mellon Bank (Eq.), Pa. | 32.4 |
| Chase Manhattan (Global eq.) | 29.6 |
| First of Chicago (Non-dlr. fixed) | 21.1 |
| Morgan Guaranty (Bond), N.Y. | 20.0 |
| Bank of America (Fixed), Calif. | 19.8 |
| Citicorp (Fixed), N.Y. | 18.9 |

### 10-year returns

| | % |
|---|---|
| U.S. Trust (Eq.), N.Y. | 25.0 |
| **MSCI EAFE Index** | **24.9** |
| First of Chicago (Eq.) | 22.0 |
| Morgan Guaranty (Eq.), N.Y. | 21.4 |
| **MSCI World Index** | **20.5** |

# Play . . .

*Continued from page 61*

"Clearly the surprising strength of Japan vs. continental Europe in the second quarter was a disadvantage to us. It was part of the reason for our underperformance," said Chris Carter, senior investment manager-equities for the $50 million Employee Benefit Equity Fund.

In addition, a number of medium-term trends the firm has been playing — such as the dollar's weakness, fairly weak oil prices and rising interest rates — turned against it.

Because BA officials think in 12 months oil will remain steady to weak and the dollar will drop to about 135 against the yen from about 140 currently, it expects downward pressure on interest rates in Europe and Japan.

The firm emphasizes interest rate-sensitive stocks — the Spanish insurance company **Mapfre** and the French insurer **Victoire Drouot**. BA invests 15% in Spain, 12% in France, and 30% to 35% in the United Kingdom with the rest of the portfolio split fairly evenly between West Germany, the Netherlands, Belgium, Hong Kong and Australia.

Markets prices are looking better in Italy. In particular, BA is looking at clothing manufacturing and publishing sectors. On further market weakness, BA is looking to increase Hong Kong exposure since the market's gross domestic product and corporate profit growth estimates are high.

Over five years, commingled funds of IDS International Inc., Minneapolis, Bankers Trust and BA were tied for first place with a 39.6% return, slightly trailing the EAFE's 40.4%.

IDS, seeking "faster-growing economies with high profits growth" has been overweighting U.S. dollar-linked Singapore and Hong Kong whose export industries benefit from their weak currencies and builds competitiveness with Japan, South Korea and Taiwan, said Peter Lamaison, chief executive officer of IDS in London, which runs the $78 million IDS Collective Equity Fund.

The firm invests 14% in Australia, mostly in commodities stocks. Japanese exposure has dropped to 32% from 48% since April on a valuation basis.

Of the three managers included in PIPER for at least 10 years, only U.S. Trust beat the index

*Continued on page 64*


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# Futures set for Russell indexes

## Director believes appeal broader for new product

By Hank Berkowitz

NEW YORK — Futures contracts on the broad-based Russell 1000, 2000 and 3000 stock indexes will begin trading on the New York Futures Exchange Sept. 10, making it the first exchange to offer three indexes "side by side," said Lewis J. Horowitz, president of the exchange.

The exchange is the wholly owned subsidiary of the New York Stock Exchange Inc., which trades futures and options on the NYSE Composite Index. It also trades commodity futures based on the Commodity Research Bureau Index.

Russell indexes comprise a broader universe of stocks than the traditional Standard & Poor's 500 stock index, including many more undervalued, small-capitalization companies. And unlike the S&P, Russell indexes are not artificially weighted toward certain industries like technology and high-yield stocks.

Both active and passive managers find Russell indexes attractive because they provide "a much more complete representation of the total U.S. equity market," said Kelly Haughton, director of research and development for The Frank Russell Co., Tacoma, Wash.

Russell indexes enable active managers to duplicate their core portfolios. Also, since tracking errors with Russell indexes are lower than the S&P's, Mr. Haughton said, passive managers find Russell indexes improve their ability to replicate the active portfolios for which they're substituting.

But Rob Meyncke, a member of the index committee of Standard & Poor's Corp., New York, said there's almost no difference between the Russell 1000 and the S&P 500, so "there's almost no advantage to having an index" with the 500 additional stocks that comprise the Russell 1000 index.

Russell statistics for the five years ended June 30 show 72% of the 104 managers in its equity pooled accounts universe were more highly correlated with the Russell 1000 than with the S&P 500.

Mr. Meyncke said, however, there is a 99.5% correlation between the Russell 1000 and the S&P 500. Furthermore, the S&P 500 also tracks the New York Stock Exchange better than the Russell 1000 despite the small composition of stocks in the S&P index. He said the S&P 500 has a 99.9% correlation with the NYSE; the Russell indexes are about one percentage point less on average.

Rick Nelson, vice president of passive management at Bankers Trust Co., New York, said one-half of his firm's $24 billion indexed equity holdings are in non-S&P securities.

"Russell (indexes) futures would really fit a niche that hasn't been filled so far," Mr. Nelson said.

Mr. Haughton said as more money managers use Russell indexes as performance benchmarks, they'll need Russell-based futures contracts to better hedge and insure their portfolios.

He said the indexes include 95% to 99% of investment-grade stocks held by institutional money managers, while the S&P 500 includes 75%.

"Generally with Russell, you're going to get a more precise hedge," said Mr. Nelson, who added he plans to use the Russell 2000 to complement Bankers Trust's anticipated move to an "ultrasmall" index that would only include stocks in the smallest 5% of publicly held companies. The Russell 2000 is composed of companies ranked 1,001 to 3,000 by capitalization.

Futures contracts on the 2000 would provide the first proxy for the low-cap end of the equity market, which now accounts for 10% to 20% of large institutional holdings, the NYFE said.

Mr. Meyncke said his firm believes the S&P 500 is a "pretty good index," but admitted there may be a possibility for the Russell 2000 because of the need for a small-cap index. But he cautioned futures on other small-cap indexes — including an S&P over-the-counter 250 index — failed in the past. ■

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*Performance*

## *Weak . . .*

*Continued from page 63*

with a 25% compound annualized return vs. the index's 24.9%. But over one-, three- and five-year periods it underperformed, returning 43.4%, 44.4%, and 36.1%.

Other underperformers over periods of more than a year include Morgan Guaranty's $840 million International Equity Fund which returned 21.4% over 10 years and 38.2%, 41.9% and 32.9%, respectively, over one-, three- and five-year periods; the $50 million International Stock Portfolio of Wellington Management Co./Thorndike, Doran, Paine & Lewis, Boston, which returned 43.6%, 45% and 33.3%; the International Stock fund of First RepublicBank Corp., Dallas, which earned 39.2%, 44.3% and 39.2%; and the International Equity fund of HT Investors Inc., Providence, R.I., which returned 41.2% over one year and 39.3% over three years.

Morgan's fund has underperformed recently but since its 1974 inception has exceeded the EAFE while maintaining a beta, which is a measure of volatility, of only 0.94 vs. the index, according to Adrian Lee, vice president, J.P. Morgan Investment Management Inc., London.

The Wellington fund's infrequently traded quality growth stocks "don't necessarily do better in runaway bull markets," said Jerrold Mitchell, senior vice president.

The HT fund's performance has improved recently as the firm has built its investment staff, relying less on advice from brokers, said J. Richard Schroder, vice president-director of marketing/sales.

Also better — since a new investment was set up three years ago — are the returns of the Global International Equity fund of Chase Investors Management Corp., New York, which underperformed most funds over five years with returns of 33.4% and 29.6%, said Mary Ellen Weissinger, sales director. ■

# Cash Management

*Diamond Shamrock R&M, whose Maxus Energy Corp. operates this oil field in Williston, N.D., moved its cash concentration and controlled disbursement accounts.*

## *Diamond Shamrock pockets savings by switching two banks*

**By Barry B. Burr**

SAN ANTONIO, Texas — Diamond Shamrock R&M Inc., one of the two companies created from the former Diamond Shamrock Corp., expects to save upward of $30,000 a year in banking fees by changing the banks handling its major cash management services, said John E. Griffin, supervisor-cash operations.

Citing pricing as a principal reason for the changes, he said the company is moving its cash concentration account and controlled disbursement to Chase Manhattan Bank, New York, from Mellon Bank, Pittsburgh, and its payroll disbursement to Frost National Bank, San Antonio, from First RepublicBank Dallas.

Chase beat out First National Bank of Chicago and Chemical Bank, New York, the other bidders for the account.

Frost topped MBank, Texas Commerce Bank and First RepublicBank's San Antonio offices.

He said the prices are significantly lower than those the company now pays.

Chase, from its Syracuse, N.Y., office, will process disbursements at 12½ cents a check, while Mellon was charging 15 cents.

Frost will charge 8 cents a check, compared to First RepublicBank's 13 cents.

He said moving to Chase would save the company $15,000 to $18,000 annually, while Frost would save $13,000 to $15,000.

The company has about 15,000 controlled disbursement items, valued at some $60 million, processed monthly, while it has another 15,000 payroll checks, valued at $4 million.

*Continued on page 70*

# New rules might cause wire transfer problems

**By Chuck Paustian and Sheryl Cohen**

*Sheila Dilson and Richard Richardson of Hardee's will be watching for changes or delays in wire transfers under the new daylight overdraft rules.*

Corporate cash managers could face more wire transfer problems as a result of tighter daylight overdraft rules, despite efforts by the National Corporate Cash Management Association.

Norman Appelman, vice president and director of banking activity, ITT Financial Corp., St. Louis, and chairman of the NCCMA's government relations committee, suggested the tighter rules will cause companies and banks to adjust their wire transfer activity to avoid further payment delays.

Mr. Appelman said the association is asking corporate executives to monitor their wire transfers more closely now so they'll be able to determine the effects of the tighter daylight overdraft restrictions when they go into effect in January.

Before the Fed's most recent action, a number of companies, including Hardee's Food Systems Inc., Pepsico Inc. and Shell Oil Co., already had experienced some delays in wire transfers under less restrictive rules.

"We have had some delays with incoming wires and outgoing wires," but no critical problems, said Richard Richardson, manager-cash management at Hardee's, Rocky Mount, N.C.

Sheila Dilson, cash manager at Hardee's, said, however, the newest policies could affect the company more. "When the ruling gets tighter, we probably will feel some effect," she said. "Everyone will probably feel it at some point or another and to some extent."

The overdraft policies, adopted July 24 by the Fed's Board of Governors, are somewhat less strict than its proposals released in December (*Pensions & Investment Age*, July 27).

The NCCMA, one of many groups commenting on the Fed's proposals, was partially successful in its efforts to mitigate the new rules, even though they further tighten daylight overdraft restrictions first adopted in March 1986, association officials said. Proposed measures the association supported were adopted, while policies the group opposed either were eased by the Fed or postponed for further review.

"We think the Fed has been and continues to be sensitive to public comments," said David L. O'Brien, manager of banking at Best Products Co. Inc., Richmond, Va., and president of the NCCMA.

"I think (the Fed has) been very appreciative of the input and we've been appreciative of them turning to us as a resource. We hope that will continue," added Mr. Appelman.

Two major aspects of the new policies are:

- A two-step reduction of banks' net debit caps for daylight overdrafts — a 15% reduction to take effect in January, with an additional 10% reduction scheduled for the following May unless subsequent problems develop.

The Fed initially proposed a straight 25% reduction in the net debit caps, which determine the extent to which banks can overdraw their Federal Reserve accounts through wire transfer activity. The NCCMA had opposed any further reduction.

- A more liberal de minimis, or lower level, cap for small depository institutions, an amount equal to the lesser of 20% of primary capital or $500,000.

Originally, the Fed proposed a de minimis cap equal to the lesser of 10% of primary capital or $500,000. The NCCMA had supported the concept of de minimis caps for smaller banking institutions.

Two other policies adopted by the Fed place a $50 million limit on book-entry government securities transfers and permit wire transfers between affiliated depository institutions in a daylight overdraft position.

The Board of Governors postponed action on automated clearinghouse transactions that would have delayed posting and finality of payment. The NCCMA had expressed concern the proposed policies might constrain or discourage use of the ACH system.

*Continued on page 68*

## Scudder matrix debuts

Beginning with this issue, *Pensions & Investment Age* will publish Scudder, Stevens & Clark Ltd.'s corporate cash matrix, a group of indexes designed to provide benchmarks for cash management executives investing taxable treasury cash.

The matrix will run every month. *P&I Age* will continue to run Payden & Rygel's index of short maturity assets, another measure of market returns for corporate treasury executives, each month in alternating issues.

The Scudder matrix contrasts both yield and total return on a pretax and after-tax basis of four different instruments in various maturities. It is prepared by Glen Murphy, principal in Scudder's Boston office.

Because of the different tax status of some instruments, Mr. Murphy noted that for treasury investment portfolios, the after-tax measures translate to the bottom line.

Yield measures income over current price. Total return measures income and price changes. "Total return is the true measure of economic benefit," Mr. Murphy said.

The matrix is at a constant maturity, meaning all the instruments are rolled over every 30 days.

To calculate after-tax returns, Scudder uses the maximum corporate tax rates. For income, they are 40% this year and 46% last year; for capital gains and losses, 34% this year and 46% last year.

### Scudder, Stevens & Clark corporate cash matrix

| | Yield | | | | | | Total return | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | July 31 | | 3 mos. ago | | 1 yr. ago | | Latest 3 mos. | | Latest 12 mos. | |
| **30-day** | | | | | | | | | | |
| Prime commercial paper/CD/BA* | 6.45 | 3.87 | 6.73 | 4.04 | 6.28 | 3.39 | 1.66 | 1.00 | 6.75 | 3.87 |
| Prime tax-exempt commercial paper | 7.00 | 4.20 | 7.17 | 4.30 | 8.11 | 4.38 | 1.77 | 1.06 | 7.35 | 4.55 |
| **49-day** | | | | | | | | | | |
| Auction-rate preferred stock (AAA-AA-A composite) | 7.30 | 4.38 | 7.33 | 4.40 | 7.03 | 4.22 | 1.93 | 1.16 | 8.20 | 4.70 |
| **90-day** | | | | | | | | | | |
| Treasury bill | 6.14 | 3.68 | 5.64 | 3.38 | 5.85 | 3.16 | 1.48 | 0.89 | 6.18 | 3.71 |
| Prime commercial paper | 6.95 | 4.17 | 6.80 | 4.08 | 6.23 | 3.86 | 1.77 | 1.06 | 6.84 | 3.92 |
| Prime tax-exempt commercial paper | 7.50 | 4.50 | 7.42 | 4.45 | 7.74 | 4.18 | 1.75 | 1.05 | 7.95 | 4.48 |
| **1-year** | | | | | | | | | | |
| Treasury bill | 6.74 | 4.04 | 6.50 | 3.90 | 6.27 | 3.39 | 1.42 | 0.85 | 5.91 | 3.39 |
| Prime municipal note | 7.58 | 4.55 | 7.95 | 4.77 | 8.72 | 4.71 | 3.15 | 1.89 | 8.30 | 4.76 |

The matrix is at a constant maturity, meaning all instruments are rolled over monthly. Income is taxed at 40% for 1987 and 46% for 1986; capital gains and loses are taxed at 34% for 1987 and 46% for 1986.
* CD is certificate of deposit; BA is banker's acceptance

pretax
after-tax

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# Pensions & Investment Age



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# Pan Am may contribute JFK lease

**By Joel Chernoff**

NEW YORK — Trying to husband needed cash reserves, Pan Am Corp. last week proposed contributing to its pension fund a $200 million-plus lease on its passenger terminal at John F. Kennedy International Airport.

The contribution of the leasehold interest would strengthen the pension fund, which is underfunded by at least $385 million. The contribution would involve five of the company's 10 defined benefit plans for management and union employees. Benefit accruals in all of Pan Am's defined benefit plans were frozen as of Dec. 31, 1983.

The long-term lease on the Worldport facility is valued at more than $200 million, according to an independent appraisal conducted for the company, which is the parent of Pan American World Airways Inc. Roughly 1,000 Pan Am employees work at the 800,000-plus-square-foot terminal; the facility has gates for 16 long-range jets and eight commuter planes, plus two helicopter and six mobile plane mate docks.

"The company feels that a good, quality piece of property with assured income over many years is an appropriate asset for a pension plan, even though the immediate tenant is the plan sponsor," said Pamela Hanlon, Pan Am's system director-corporate communications.

But contribution of the leasehold interest is contingent upon approval by the Department of Labor and the Port Authority of New York and New Jersey, which owns the terminal.

In addition, Margaret Brennan, head of the Pan Am Joint Labor Council, an organization of four of the five unions representing Pan Am workers, threatened to file a grievance at the very least.

"I can't comment because it's so strange, bizarre and unusual," said Ms. Brennan, who also is president of the Independent Union of Flight Attendants, New York.

For the interim, Pan Am received last week a waiver of its $48 million pension contribution, which was due Sept. 15. As collateral, the company put up $75 million of stock in Pan Am World Services Inc., a subsidiary that primarily services commercial and military installations.

Regardless of the decisions by the Labor Department and Port Authority, Pan Am plans to free the interest in the service subsidiary, which has proved to be consistently profitable and accounted for 15% of the company's $3.039 billion in total operating revenue in 1986.

If approvals are granted, Pan Am will be relieved of making pension contributions for three or four years and the funding waiver will be unwound. If not, Pan Am will contribute enough cash to cover both its 1986 and 1987 plan contributions, again releasing the stock.

Pan Am declined to reveal the amount owed for 1987, but based on recent years, the total contribution would approach $100 million.

The lease, which expires in 1998, includes passenger facilities, rentals and all-important airline gates. Under terms of the


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## Inside:

FALL 1987

PROPERTY

A Pensions & Investment Age Supplement on Real Estate

**Japan cuts deals with U.S. help**

**Washington fund will finance piece of Cadillac buy-out**

**Ownership revealed**

Tax-exempt investors hold $5 billion in 5 cities

PROPERTY: Japanese deals in U.S. real estate, who got stuck holding the bag in Houston and institutional ownership of the nation's downtowns are among the many stories in this 52-page supplement on institutional real estate finance and investment.


FUTURES & OPTIONS: Surplus insurance — a way to lock in the gains of overfunded pension plans — is getting a lot of lockers but few takers. *Pensions & Investment Age* examines the issue — Page 43.

CASH MANAGEMENT: Loan participation agreements, commercial loans sold in pieces by banks to compete in the short-term lending market, are catching the eye of ratings services — Page 31.

QUANTITATIVE MANAGEMENT: Sophisticated quantitative analytical tools have been developed to interpret the vast amounts of data available to pension executives, consultants and managers. A look at these forms of quantitative analysis — Page 17.



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# PBGC moves toward reinstating LTV plans

**By Nicky Robertshaw**

WASHINGTON — The Pension Benefit Guaranty Corp. might take steps as early as this week to return to The LTV Corp. four terminated steel-unit pension plans, government sources told *Pensions & Investment Age*.

The agency is taking the unprecedented step of restoring the plans to the company, which dumped $2.3 billion in liabilities onto the PBGC, because Dallas-based LTV agreed to a follow-on plan — a plan that is started after a termination.

The PBGC sees this plan as evidence that, in contrast to its position last January, LTV can — and has demonstrated that it will — meet pension obligations.

A spokeswoman for the PBGC said no decision had been made, although restoring the plans is one of several options being considered.

The spokeswoman would not comment further.

Although it is unclear how the PBGC would proceed, the issue is certain to end up in court.

LTV officials already have vowed the company will sue immediately in an attempt to block the move, which the company believes to be unlawful.

"It's one thing to say on Friday that you're going to do it, but it's another thing to win the court case that starts on Friday afternoon," said an LTV source, who doesn't believe the PBGC threat will hold up in court.

PBGC officials had said in June the agency might restore the four plans to LTV if a contract between the company and the United Steelworkers of America giving participants supplemental benefits went into effect.

In July, the supplemental benefits became a reality.

As a result, the PBGC has been considering several options, including restoring the plans to LTV or reducing payouts to participants in the amount of the supplemental benefits in an "equivalent offset" arrangement. Restoration is seen as being better to legally defend than the equivalent offset arrangement.

The PBGC has the authority under Section 4047 of the Employee Retirement Income Security Act to restore a plan terminated on a distress basis to its pre-termination status, if it determines such an action would be appropriate.

In addition, Section 4047 was amended, under the Single Employer Pension Plan Amendment Act of 1986, to apply specifically to plans terminated involuntarily in a distress situation, according to the PBGC.

"I don't believe 4047 ever contemplated the restoration of a plan where the original finding was that the company could not afford to maintain the plan," the source at LTV said, pointing out it never has been done. "Nobody in their right mind believes that LTV can afford those four plans," he said.

He pointed out that by reinstating the plans, the PBGC would be in violation of the automatic stay under the federal Bankruptcy Code that forbids increasing liability except by filing a proof of claim, and is not in keeping with the federal court decree ordering the termination.

The first of LTV's plans was terminated involuntarily Sept. 30, 1986; three more were terminated in January 1987. The PBGC took the initiative in terminating the plans when it learned LTV could not meet its benefit obligations.


*Continued on page 53*


# Fiduciary rule clarified

**By Nicky Robertshaw**

WASHINGTON — Sponsors of defined contribution plans that allow participants control over their individual accounts may have to change their menu of investment options to avoid incurring fiduciary obligations, under a proposed Department of Labor regulation.

This long-awaited proposal clarifies section 404(c) of the Employee Retirement Income Security Act, which states that when a participant exercises control over assets in an individual account, neither the participant nor a person who otherwise would be the fiduciary — such as a pension ex-manager — can be held responsible, if, for example, the participant loses money as a result of an investment decision.

However, the burden is on the sponsor to prove the plan meets the qualifications for this relief, which includes showing the plan offers the "broad range" of investment options called for by the statute.

Attorneys familiar with the proposed regulation said fiduciaries have some responsibility to monitor the choices to meet the standard for 404(c) protection, but it's unclear just what would be expected of them. The attorneys said the rule is directed primarily at sponsors.

"It's likely that a lot of (sponsors) who thought their plans satisfied this rule are going to find that their options don't fit," said Seth H. Tievsky, a lawyer with Wyatt Co.'s Research and Information Center, Washington.

Mr. Tievsky pointed out sponsors will have to revise plans to either add options or replace cur-


*Continued on page 53*

# Rorer restructuring, adds 2 asset classes

By Trudy Ring

FORT WASHINGTON, Pa. — Rorer Group Inc. has restructured its $85 million pension fund, moving from balanced management and making its first allocations to real estate and international.

The moves demonstrate the pension committee's desire to control the asset mix and invest more aggressively, said Mark W. Sickles, director-compensation and benefits.

A new committee was appointed after Rorer, a maker of over-the-counter drugs such as Maalox and Ascriptin, acquired the Tarrytown, N.Y.-based prescription pharmaceutical business of Revlon Inc., New York, in January 1986.

Mr. Sickles, who had been director of international personnel at the Revlon Health Care Group, of which the prescription drug business was a unit, assumed the newly created compensation and benefits position at Rorer.

About $25 million in pension assets, which had been part of the Revlon master trust, were combined with the Rorer assets for investment purposes, Mr. Sickles said. About two-thirds of the combined fund were in a balanced account with Dreyfus Management Inc., New York, and one-third in growth-oriented equities with Thorndike, Doran, Paine & Lewis, Boston.

Mr. Sickles said he didn't know who managed the assets at Revlon, as he wasn't in the pension area there.

Reviewing this arrangement with Rorer's consultant — Butcher Consulting Group, Pittsburgh — committee members decided they wanted to get away from balanced management and to diversify asset classes. Butcher's study indicated diversification could produce better returns with less risk, Mr. Sickles said.

*Rorer Group Inc., which manufacturers over-the-counter drugs such as Maalox Plus, is altering its pension fund asset mix to invest more aggressively, according to Mark W. Sickles, benefits director.*

With the restructuring, Rorer will retain Thorndike in its equity assignment, change Dreyfus' assignment to fixed income alone and take on additional managers for value-oriented equities, real estate and international equities. The transfer of assets will be effective Oct. 1.

Newbold's Asset Management, Philadelphia, and Thorndike will split about $55 million in equities, Mr. Sickles said. Thorndike already had a little more than half that amount, and will retain that allocation, he said.

Newbold's has a value-oriented strategy; the equity portion of the balanced fund also had been value-oriented. Newbold's started its assignment with a Rorer stock contribution of about 125,000 shares, valued at $5.5 million.

Rorer has instructed Newbold's to sell the stock as soon as it can do so without harming performance, Mr. Sickles said. Rorer pension officials don't want the fund to hold company stock because they don't want fund performance tied to corporate performance, he said.

This was Rorer's first stock contribution to the pension fund, made to help its cash flow after the merger, Mr. Sickles said. He's not sure if the company will make more contributions. The company also made a cash contribution, less than $50,000, to one plan.

Dreyfus will manage about $17 million in fixed income.

J.P. Morgan Investment Management Inc., New York, will manage real estate, and Nomura Capital Management Inc., New York, will handle international

*Continued on page 52*

## Consultant questionnaires out

Questionnaires for *Pensions & Investment Age*'s annual directory of investment management consultants are in the mail. The deadline for the return of completed questionnaires is Oct. 12. Completed questionnaires must be received by Oct. 12 to be included in the directory.

Consulting firms that have not received a questionnaire and would like to be listed in the directory should call Carol Wiley, directory coordinator, at (312) 649-5486.

# Funds putting excess cash in currency pool

By Marlene Givant

NEWARK, N.J. — Reflecting a desire to maximize returns on cash reserves, four tax-exempt funds recently invested in a high-interest global currency fund and a fifth started a separate account.

Managed by PCM International, the Prudential Trust Global Yield Fund has a total of $27 million from four clients, one of which, the nearly $1.2 billion pension fund of the Army and Air Force Exchange Service, Dallas, just committed $10 million to the fund.

Other clients are the pension funds of the World Bank, Washington; the Western Co. of North America, Houston; and National Automobile Dealers Association, McLean, Va., according to Barry Gillman, managing director of PCM.

The $3.2 billion Hawaii Employees Retirement System, Honolulu, one of the product's first clients, opened a $30 million global yield separate account last spring to earn high returns while parking its excess cash.

The combined cumulative return of the pooled vehicle was 20.5% in the 12 months ended July 31, substantially higher than the 5.76% unannualized returns on 90-day U.S. Treasury bills during the same period, according to the Payden & Rygel index of short maturity assets. The fund's performance includes the six-month return on the closed-end mutual fund, Global Yield Fund Inc., from which it was spun off in January.

"We were looking for something to diversify our cash asset class. Global yield seemed like a product we could use to add some value because it's investing in sound investments overseas," said Ken Weaver, assistant comptroller-insurance for the AAFES fund.

"We're hoping it'll add up to 400 basis points over comparable U.S. instruments. They have had excellent performance. The 1987 projected annual yield is about 13%," Mr. Weaver said.

Assets came from a reduction in a fixed-income mutual fund (called the Fixed Income Fund) managed by Dimensional Fund Advisors, Santa Monica, Calif.

AAFES also selected two small-cap managers, Nicholas-Applegate Capital Management, San Diego, Calif., and Westwood Management Corp., New York, to run $40 million each. Assets for these hires, additions to several existing accounts and May appointments of a domestic equity index fund

*Continued on page 52*

# *Interlake gets nod to terminate 6 plans*

By Barry B. Burr

OAK BROOK, Ill. — The Interlake Corp. has received approval to terminate six pension plans, allowing the company to recapture nearly $100 million in surplus pension assets and use the proceeds to help finance an announced $50 million stock repurchase program.

The company also is preparing a request to repurchase an undisclosed number of additional shares beyond the announced program, a corporate spokesman said.

The terminations affect plans of discontinued operations, covering only retirees and former employees, a treasury executive said, adding the plans didn't covered active employees.

The executive, who asked not to be named, said the company wouldn't release any further information, making it unclear whether the action involved a spinoff-termination — separating the plans into active and inactive employees. He declined to identify the operations discontinued, or details on how the operations were discontinued, whether through sale or liquidation.

The terminated plans had total assets of $177.2 million and total discounted liabilities of $79.7 million, according to Interlake's filing with the Pension Benefit Guaranty Corp.

The terminations will greatly reduce Interlake's pension assets and liabilities.

As of Dec. 28, the company had total pension assets of $211 million and liabilities of $85 million. Interlake executives generally have been reticent about the reversion, although it is more than three times larger than the company's entire net income of $32 million reported last year.

The corporate spokesman de-

*Continued on page 48*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities, the Shearson Lehman Government/Corporate bond index and the Salomon Brothers Broad Investment Grade bond index.

**P&I Age August indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | 3.74 | 38.98 | 34.59 |
| Russell 3000 | 4.04 | 29.40 | 35.31 |
| Ryan Index | −0.85 | −3.18 | −3.00 |
| Shearson Lehman Gov't./Corp. | −0.56 | −1.21 | 0.54 |
| Sal BIG | −.42 | −2.29 | −0.06 |

Source: Rogers, Casey and Barksdale Inc., and Frank Russell

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# Workout pros busy despite boom

By Brad Rudin

Wall Street's workout specialists, thriving despite the economic boom, are concerned the next recession will sink some of the more fragile leveraged buy-outs and could bring a surge in failures among companies taken private in more ordinary buy-outs.

Because leveraged buy-outs often are financed through the sale of some of the companies' most valuable assets, the now-private firms could face problems when they have no "crown jewels" to sell as part of a workout or reorganization.

"In the next economic downturn, there will be a whole new category of companies called LBOs," said Ralph O. Hellmold, head of the financial restructuring and reorganization group at Prudential-Bache Securities Inc., New York.

The decline in energy prices, oversupply in the steel industry, unexpected costs at nuclear generating plants, international competition, bad luck and bad management all have contributed to the demand for workouts.

"It's scary right now — we're very busy given the cycle we're in," said James W. Harris, the head of the financial restructuring group at Shearson Lehman Brothers Inc., New York. "What would happen if we really had a recession?"

Even with the recovery chugging along, the number of business failures recorded by Dun & Bradstreet almost doubled in 1986 to 61,232 from 31,334 in 1983.

In a workout, distressed companies often use exchange offers, pledges of collateral, renegotiated supply contracts, pension plan terminations, asset sales and securities offerings, among other strategies.

These, in turn, will lead to operational improvements, to a restructured balance sheet and to a refocused business strategy as well.

*An economic downturn could damage several LBOs, says Ralph Hellmold of Pru-Bache, left; Donald Dietz of First Boston points out there are plenty of overleveraged companies in troubled industries.*

Workout specialists work for debtors in out-of-court and Chapter 11 reorganizations, as well as provide advice to creditor committees in reorganization plans that take place under bankruptcy court supervision.

"All you have to do is to read the papers," said Donald E. Dietz III, a senior member of the reorganization group at First Boston Corp., New York. "There are lots of companies with problems; they're overleveraged, they're in industries with problems."

The normal course of business generates demand for workout specialists, said Daniel G. Gruber, national director of the reorganization advisory services group at Touche Ross & Co., the Big Eight accounting firm in New York. "In every industry there's a company on the top and a company on the bottom. Very few industries are so good that the company on the bottom doesn't have a problem."

Business for workout units at investment banks, accounting firms

*Continued on page 49*

*Tosco Corp., an oil refiner, has cut its size and increased profitability. Profiles of Tosco and two other companies that tapped workout groups are on Page 39.*

## Financial pressure on pension plan sponsors voting internally

| Size of equity investment | Frequency of financial pressure: Sometimes | Rarely | Never | Don't know |
|---|---|---|---|---|
| $1-9 million | 0.0% | 15.4% | 84.6% | 0.0% |
| $10-24 million | 0.0 | 0.0 | 100.0 | 0.0 |
| $25-99 million | 0.0 | 9.1 | 90.9 | 0.0 |
| $100-499 million | 0.0 | 31.8 | 63.6 | 4.6 |
| $500 million or more | 13.0 | 21.7 | 65.2 | 0.0 |
| No response | 0.0 | 0.0 | 100.0 | 0.0 |

Source: Employee Benefit Research Institute

# The proxy pressure's on

## Managers admit to more than fund execs

By Marcia Parker

WASHINGTON — Sixty-five percent of pension fund investment managers, but only 25% of corporate pension executives have felt pressure to direct their proxy votes in favor of corporate management, a comprehensive study has found.

Only 28% of investment managers reported pressure frequently, however, while 37% said they experienced pressure rarely and 34% said never.

The study seems to indicate pressure is not pervasive and that many on the receiving end have developed written policies to deal with it. But the Employee Benefit Research Institute, which sponsored the study in cooperation with two other groups, acknowledged how hard it is to determine the intensity of the pressure.

The study co-sponsors were the Association of Private Pension and Welfare Plans, Washington, and the Financial Executives Institute's Committee on the Investment of Employee Benefit Assets.

"Because the experience of financial pressure may be a sensitive topic for some plan sponsors, its occurrence may not be recorded as accurately as other survey information," the long-awaited EBRI study said.

"Some sponsors may be anxious to reveal any unwanted pressure, while others may try to hide its occurrence. Nevertheless, those who admit to being pressured also tend to have written policies to deal with that contingency."

Most pension fund executives, money managers, proxy solicitors

*Continued on page 48*

# *Global bond use up 24.5%*

By Marlene Givant

To diversify from domestic fixed income, U.S. tax-exempt funds committed at least $1.472 billion to international and global bond accounts in the first six months of 1987, a *Pensions & Investment Age* survey of eight industry leaders shows.

That's an increase of 24.5%; assets held in international and global bond accounts totaled $6 billion at year-end 1986, according to a spokesman at Salomon Brothers Inc., New York.

The spurt of interest in foreign fixed income might be greater than for any other asset class. "It's probably been one of the hottest areas we've seen come along in some time, in terms of new interest in an asset class," said S.A. "Sandy" Lincoln, managing director in the Deerfield, Ill., office of William M. Mercer-Meidinger-Hansen Inc.

While pension plans are investing in foreign bonds chiefly to diversify over the long term, many have chosen to invest now to benefit from an expected decline in the dollar against other currencies.

There is overall risk reduction despite currency risks because foreign markets diversify themselves, managers said.

Fixed-income markets also are 50% larger, in terms of money worldwide, than equity markets and are more liquid.

Some officials also are lured by enhanced returns.The Salomon Brothers World Bond index returned a compound annualized 18.9% in the five years ended June 30, while the Salomon Brothers Non-U.S. Bond index returned a compound annualized 20.4% for the same period. The Salomon Brothers U.S. Government Bond index returned a compound annualized 17.6% for the period.

The $1.5 billion ITT Corp. pension fund, for example, is moving to make international bonds fully 25% of fixed-income assets by year end, or roughly 4% to 5% of total plan assets, said Edwin J.

*Continued on page 48*

# Tax advantages spur offering of stock to GM plan

By Brad Rudin

NEW YORK — General Motors Corp.'s $1.04 billion stock contribution to its pension plan has drawn praise from analysts and refocused attention on the tax advantages created by contributions made for the 1986 tax year.

Because the company made extra contributions in previous years, it had no obligation for the 1986 plan year that ended this month, said W. Gordon Binns Jr., chief investment funds officer.

Of course, the retirement fund's performance during the bull market helped to reduce the company's contribution.

General Motors contributed $1.6 billion to the retirement fund in the 1985 plan year.

Tax planning, rather than pension fund obligations, shaped GM's decision to contribute 19.6 million preference shares to the plan, which has $33 billion in assets.

"The contribution, which took place Sept. 14, allows the corporation to generate significant incremental tax benefits in that the contribution is deductible for federal income tax purposes for the 1986 tax year," according to a company letter to investors.

General Motors will save $125 million for the 1986 tax year, while the annual dividend payments generated by the preference shares will amount to about $12 million, according to a company spokesman.

Contribution of the preference shares could satisfy contribution requirements in future years, said the letter to investors.

Stock and credit analysts praised GM's contribution because the move conserves corporate cash and reduces federal tax liability.

David Healy, an analyst at Drexel Burnham Lambert Inc., New York, put the annual preference share dividend at $15 million, $3 million more than the company's estimate, saying the dividend payments on income attributable to the 1⅔ par value common stock will dilute GM earnings about a nickel a share.

General Motors 1⅔ par value common stock earned $2.80 a share in the second quarter of 1987.

Terry R. Holmes, an assistant treasurer at GM, disputed the view that the stock contribution would reduce earnings attributable to the 1⅔ common stock, saying investment of the funds saved by the tax deduction would yield a return that would actually add 2 cents to earnings per share.

The stock contribution will not dilute earnings attributable to Class E and Class H common shares because "the Class E and Class H dividend bases used for the purposes of determining earnings per share and the per share amounts available for dividends will not be impacted," according to a statement issued by the company.

Dilution is a relatively minor factor given the benefits, Mr. Healy said. "I think it makes sense for tax reasons to make the contribution."

At Salomon Brothers Inc., New York, Jean-Claude Gruet said, "General Motors is a company that needs cash, and given that their earnings are under pressure, it's an extremely cheap source of cash."

Some of GM's need for cash stems from the company's decision in March to repurchase up to 20% of its 1⅔ par value common stock — about $5.6 billion at current prices — by 1990.

The company's net income dropped 14.2% to $1.9 billion on sales of $52.8 billion for the first half of 1987 from net income of $2.22 billion on revenue of $54.45 billion in the first half of last year.

*Continued on page 54*

## Opinion

# Time for trial-by-leaks to end

THE CHINESE WATER TORTURE of Drexel Burnham Lambert and Michael Milken, head of Drexel's junk bond operations, has got to stop.

Drops of information, hinting at improprieties by the firm and Mr. Milken, have been allowed to leak to the press at regular intervals, apparently by federal investigators.

The stories sparked by the leaks give an impression of investigators finding intriguing leads that have made action against Drexel and Mr. Milken a foregone conclusion in the near future. But the near future never comes.

Indeed, 10 months after the names of Drexel Burnham and Mr. Milken were first mentioned as targets of investigations by the Securities and Exchange Commission and the Justice Department, federal officials still are rummaging through files searching for evidence of illegal behavior on the part of the investment banking firm and its junk-bond pioneer.

Perhaps the stories are part of a campaign to try to induce Drexel and Mr. Milken to make a deal with the prosecutors, whether they are guilty of criminal offenses or not. Certainly, the investigation and the continuing stories rehashing government suspicions must be hurting Drexel's and Mr. Milken's business operations, and must be costing both inordinate amounts in legal fees.

At times, both must be tempted to plead guilty to some minor infraction just to end the legal hassles.

While most stories absolve federal officials of responsibility for the leaks, most also quote "sources close to the investigation." And the stories serve federal purposes so well, the absolution is less than wholly credible.

At the very least, federal officials must know who is leaking information and are in a position to stop it, if they really want to.

If Drexel Burnham Lambert and Michael Milken have breached federal securities laws, they should be tried in court — not in the press. And they should be tried expeditiously.

If federal investigators, after 10 months of digging, have not found enough evidence to prosecute, perhaps there is no evidence.

# Labor provisions offer safe harbor

THE LABOR DEPARTMENT has issued a long-overdue clarification of the fiduciary responsibility requirements of ERISA in plans where employees exercise control over investment of assets.

While some might have preferred increased reporting as a way to ensure policing such plans, the Labor Department provisions are not particularly onerous.

Employers may have to add more investment options for their employees to fulfill the requirements of the proposal.

However, employers that offer sufficient investment options for employees to choose from, and that can prove the plan meets the qualifications specified in the proposal, will have, in effect, a safe harbor from fiduciary liability.

The new proposal, in effect, encourages employers to offer employees a wide range of investment alternatives in defined contribution plans, such as profit-sharing plans and 401(k) plans.

In addition, employees must be given enough information to make an "informed" decision.

These are things that employers should have been doing in the past, and many were.

That the proposal will encourage other employers to do so is a positive development for defined contribution plans, their beneficiaries and even the employers.

## Letters to the editor

### PIPER data missed

To the Editor: In your second-quarter PIPER survey, the investment results of Manufacturers Life's Equity Fund A were not included.

As this fund has been one of the best-performing funds in the survey, your readers may wish to know the results: 10-year return, 23.7%; five-year return, 31.1%; and one-year return, 7.2%.

Manufacturers Life markets a number of pension fund investment vehicles and related services.

**Eric Lea**
Manufacturers Life Insurance
Toronto

### Great-West Life info

To the Editor: As agreed, I am sending you a completed 1987 investment adviser questionnaire.

Great-West Life Assurance Co. is at 8505 E. Orchard Road, Englewood, Colo. 80111; (303) 889-3000.

Total assets managed as of Jan. 1 were $12.966 billion. The tax-exempt assets totaled $5.3 billion.

Of that tax-exempt total, pooled separate accounts made up $188 million; GICs, $843 million; pension-related annuities, $384 million; and other general account pension-related products, $3.885 billion.

It managed $1.043 billion for 485 401(k) and 457 savings plan clients; and $18 million in mortgages.

Its tax-exempt accounts are for corporate, educational endowment, government and jointly trusteed clients.

It has five portfolio managers and a research staff of 240.

It is an equity, fixed-income, balanced and real estate manager.

In equities, it offers passive management as well as an active, growth-stock approach.

Its fixed-income approach uses mortgages as the core holding, supplementing it with an aggressively managed bond portfolio.

In real estate, the firm manages both open- and closed-end pooled and separate real estate funds.

The asset mix of separate accounts Jan. 1 was 87% stocks, 3% cash and 10% mortgages.

It follows 120 stocks closely and 300, generally; more than half of the research is generated internally.

The parent company is Power Corp. of Canada.

Assets under management by the parent, subsidiaries and affiliates total $25.05 billion.

Clients include American Dental Association, Colorado National Bank, State of South Carolina and City of Seattle.

Marshall Smith, executive vice president-investments, is chief investment officer.

Graham R. McDonald, vice president-group pension, is client contact.

Thank you for your assistance in getting this matter resolved.

**John T. Ferla**
Assistant vice president-qualified pension plans
Great-West Life
Englewood, Colo.

### Society Bank GICs

To the Editor: Fred Williams' article on active GIC specialists in the Aug. 24 issue was very interesting; however, he did not mention one of the largest and most experienced GIC managers.

Society National Bank's Trust Department has been actively using GICs as an investment vehicle since 1980.

Presently, we have more than $900 million under management. This includes a $215 million GIC common trust fund.

This is a unique fund that has tremendous appeal to 401(k) plan participants.

We also manage a GIC fund that is used by other banks for their clients. This fund totals $40 million and was started about a year ago.

We have analyzed a whole array of contracts and negotiated bullet, open-end and window placements.

We do credit analysis on many insurance companies and have 35 companies that meet our credit criteria now.

**Donald Cruse Jr.**
Senior vice president
Society Bank
Cleveland

### IDS and GICs

To the Editor: The Aug. 24 article, "Active GIC Specialists Growing Despite Doubts," by Fred Williams was an interesting account of the current GIC investment environment.

In 1981, IDS Trust pioneered in the challenging area of active GIC management. Located in Minneapolis, we manage more than $400 million for over 150 fixed-income clients.

The IDS Trust Income Fund, a diversified pool of GICs and money market investments, was our initial GIC investment product.

The fund has grown to over $350 million while consistently achieving competitive yields.

Recognizing that some qualified plans have very specific and unique fixed-income needs, IDS Trust also provides individual GIC management. Our individually managed accounts are designed to meet clients' unique liquidity, yield and credit quality needs.

As a large GIC manager, it was disappointing to be excluded from your article.

We welcome the opportunity to talk with one of your writers and hope to be included in subsequent GIC articles.

**Robert A. Rudell**
IDS Trust
Minneapolis

### Centerre data wrong

To the Editor: Somehow there was an error in communications regarding the asset value of the master custody assets (for the Sept. 7 master trust directory). The number should have been $2.753 billion, not the figure which was sent inadvertently.

In addition, there was an error in the figures sent on the increase in master custodial assets from last year, which should have been $700 million. This figure is made up of our new client and additions to existing master custodial client accounts.

Thank you for your assistance in this matter.

**Greta Volk**
Pension & Institutional Services
Centerre Trust Co.
St. Louis

Pensions & Investment Age

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FALL 1987

# PROPERTY

A Pensions & Investment Age Supplement on Real Estate

**Hawaiian landowner regroups**

Fred Williamson, finance director of the Bishop Estate, is rebuilding the trust's real estate holdings following a court-ordered land sale — Page 6.

# Japan cuts deals with U.S. help

Nissei Realty owns the Texas Commerce Bank Building, Dallas, a joint venture with Equitable Real Estate and Trammell Crow.

**By Barry B. Burr**

Japanese companies own more than $4.9 billion of U.S. equity real estate purchased through their still-infant relationships with American real estate companies, PROPERTY has learned.

Although the Japanese also invest in U.S. real estate on their own, the Japanese-U.S. relationships are the favored means for investors in Japan to buy U.S. property.

Such arrangements give Japanese investors access to U.S. real estate expertise, and open the door for American companies to new sources of foreign financing.

The relationships take a variety of forms, both formal and informal, such as outright purchases of U.S. real estate companies, contractual agreements or deal-to-deal transactions.

Some notable examples of the ties:

• Nomura Babcock & Brown Inc., a joint venture of Nomura Securities Co. Ltd., Tokyo, and Babcock & Brown Co., San Francisco, bought 50% of Eastdil Realty Inc., New York. Although the dealmaking is just beginning, the Eastdil-Nomura partnership is expected to invest $2 billion to $4 billion by the end of 1988, Roy March, Eastdil vice president, said during an Urban Land Institute Conference in May.

If Mr. March's predictions are accurate, Eastdil quickly would become the biggest U.S. dealmaker with Japan.

• Sumitomo Trust and Banking Co. Ltd., Tokyo, has a five-year contractual relationship with Richard Ellis Inc., to seek the New York-based real estate company's advice on U.S. property acquisitions. So far, they've done nine ventures, totaling $800 million.

• Equitable Real Estate Investment Management Inc., New York, a unit of Equitable Life Assurance Society of the United States, has engaged in a number of joint purchases of U.S. real estate with Japanese companies, for an amount approaching $1.5 billion. The Japanese companies include units of Nippon Life Insurance Co., Asahi Mutual Life Insurance Co. and Daiei Inc., a major consumer goods retailer, although it has no contractual ties to make further acquisitions.

• Balcor International Realty Investment Corp., a unit of Balcor Co., Skokie, Ill., recently formed a joint venture with three Japanese companies and a unit of American Express Bank to market U.S. real estate investments in the form of limited partnerships to investors in Japan.

The venture expects to place $200 million in Japanese investment in U.S. property by the end of this year and another $350 million to $500 million next year.

The relationships, in whatever form, are an indication of the growing presence of the Japanese in the U.S. real estate market.

Data gathered by PROPERTY from interviews with U.S. and Japanese companies found Japanese owned $5.7 billion to $6.2 billion in U.S. real estate investments, including about $1 billion in mortgage investments.

Other real estate experts give different estimates.

Kenneth Koplow, real estate consultant, Windsor Associates, Cambridge, Mass., estimates Japanese have invested $5 billion to $10 billion in equity and equity-oriented debt in U.S. real estate through such relationships.

"Virtually every time a Japanese institutional investor invests in real estate in the United States, it is using some sort of U.S. real estate adviser," Mr. Koplow said.

According to David Shulman, vice president at Salomon Brothers Inc., New York, Japanese held $5.5 billion in U.S. real estate for investment purposes at year-end 1986. His estimate is similar to data of the U.S. Department of Com-

*Continued on page 46*

# Washington fund will finance piece of Cadillac buy-out

**By Steve Hemmerick**

The $10 billion Washington State Investment Board, Olympia, is putting up 80% of the money to finance the buy-out of Cadillac Fairview Corp. Ltd.'s non-retail properties in the United States, PROPERTY has learned.

The all-but-completed deal, the smaller of the two pieces in the acquisition of Canadian developer Cadillac Fairview, has inspired confidence in JMB Realty Corp.'s ability to acquire the remainder in a $1.5 billion transaction.

The smaller buy-out is being led by Copley Real Estate Advisors, Boston, one of Washington's real estate advisers, and Michael Prentiss, the Cadillac official who oversees the bulk of Cadillac's U.S. holdings.

"Our commitment, give or take, is going to be about $400 million, and we will be roughly 80% of the deal," confirmed John Hitchman, executive director of the Washington board. An unnamed investor is buying the rest.

"We are very enthusiastic about it, and think Copley has done a first-rate job on it in respect to valuing the properties," Mr. Hitchman said.

The assets in that part of the deal include offices, industrial properties and land proposed for long-term development properties, and the Washington board believes it got the properties on a volume and cash discount basis.

"For those properties where there is an element of risk present, we have priced those properties accordingly and have done extensive diligence, and we think that it is an excellent way to acquire a portfolio at a fair price. These opportunities don't come along very often, and we think the acquisition of the urban industrial properties

*Continued on page 41*

# Ownership revealed

## Tax-exempt investors hold $5 billion in 5 cities

**By Chuck Paustian**

Tax-exempt institutional investors own more than 35.7 million square feet — with an appraised market value of $5.09 billion — in the central business districts of the nation's five largest cities, a PROPERTY survey shows.

PROPERTY surveyed 396 pension funds and 186 real estate investment management firms to determine the degree of tax-exempt institutional ownership (as of March 31) of office, retail and industrial properties in the central business districts of the U.S. Census Bureau's five largest cities.

The survey showed tax-exempt institutions own, on an equity basis, 18.7% of the 15.2 million square feet of total office space in downtown Los Angeles; 12.7% of 60.3 million square feet in Chicago; 11.9% of 40 million square feet in Philadelphia; 5.6% of 28.9 million square feet in Houston; and 3.4% of 305 million square feet in New York.

On a debt basis, they hold mortgages on 7.9% of the office space in Los Angeles, 4.1% in Chicago, 1.9% in Houston, 0.7% in Philadelphia and 0.6% in New York.

According to PROPERTY data, the appraised market value of the downtown office holdings of the tax-exempt institutions surveyed totaled more than $4.88 billion.

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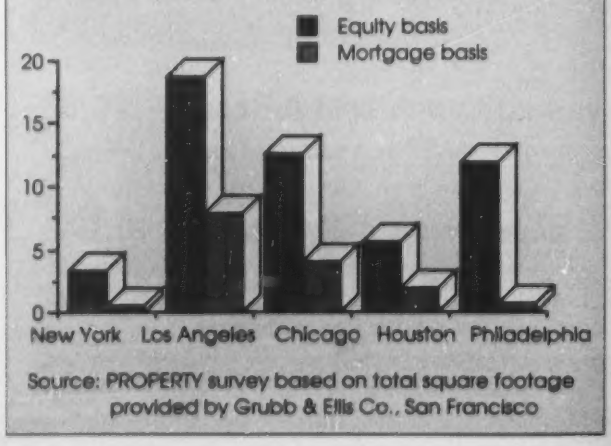
**Tax-exempt institutional ownership of central business district office properties**




Source: PROPERTY survey based on total square footage provided by Grubb & Ellis Co., San Francisco

## News & briefs

# Thrifts sell Dallas office for $36 million to family

DALLAS — Maxine and Morris Stone of Cleveland's Stone family acquired One McKinney Plaza, a 250,000-square-foot office building in Dallas, from a group of thrifts led by Commerce Savings Association, San Antonio, for $36 million in equity and debt.

The thrifts, which acquired the building last year in lieu of foreclosure on its developer, Murray Development Co., Dallas, made an estimated $500,000 profit after paying expenses and outstanding notes, said Barry Davidson, vice president of Swearingen Co., Dallas, broker in the deal. The thrifts had provided Murray a $35 million permanent mortgage.

The Stones put up between $3.6 million and $7 million in equity and financed the remainder in a 10-year mortgage from Commerce Savings at a rate below 10%, said Mr. Davidson.

## Utility is negotiating sale-leaseback

LOS ANGELES — Executives of Southern California Gas Co. are negotiating a sale-leaseback of the company's headquarters building and the sale of the underlying land and two adjacent parcels of land, reportedly to a subsidiary of Shuwa Corp., Tokyo. The Los Angeles properties are jointly owned by Southern California Gas and its parent company, Pacific Lighting Corp., which recently moved from the building to new offices in the Chase Plaza Building.

## Zeckendorf's bid fails in New Jersey

NEW YORK — Manhattan's William Zeckendorf Jr. apparently has been beaten at his own game in a bid to develop a big piece of prime Hudson River waterfront. Murray M. Connell, a little-known real estate investor from Hoboken, N.J., reportedly offered a higher price than Mr. Zeckendorf for a massive mixed-use project on a 44-acre abandoned shipyard in the area known as New Jersey's Gold Coast.

## Investor buys business for real estate

NEW YORK — The purchase of scandal-ridden Wedtech Corp.'s core business by Bronx real estate investor Abraham Sobel appears to be as much a real estate speculation play as it is an attempt to revive a failing manufacturing business. Mr. Sobel, through Five Oceans Realty Corp., is paying $4.2 million for Wedtech's headquarters in the Bronx, a site that includes a parking lot within walking distance of Yankee Stadium.

## Joint venture pays $23.5 million cash

DALLAS — A joint venture between C. Itoh & Co., Tokyo, and C.H. Beazer PLC, London, paid $23.5 million cash for Chateau Plaza, a Dallas office building. A joint venture of the Dallas developers of the property, J.L. Williams & Co. and Randy Heady, sold the building. The headquarters of Gifford Hill & Co. Inc., a Texas construction materials manaufacturer owned by Beazer, will be relocated to Chateau Plaza from Irving, a Dallas suburb.

## Inside

### There's no place like home— P. 11

Developer Bud Hansen of Hansen Properties, PROPERTY's Up and Comer, won't venture from his suburban Philadelphia back yard for new projects, even though he's about to develop office buildings 10 times more costly than those he previously has built.

### Waikiki Center sold for cash — P. 12

Japanese investor Ching Ming Wang paid $44.8 million, all cash, to an Integrated Resources limited partnership for Waikiki Trade Center, said to be the finest office property in that area.

### Managers record 27% gain — P. 19

Even though real estate money managers profiled in PROPERTY's directory reported a healthy increase in assets under management, their tax-exempt clients seem more interested in changing how and where they invest that money.

## Departments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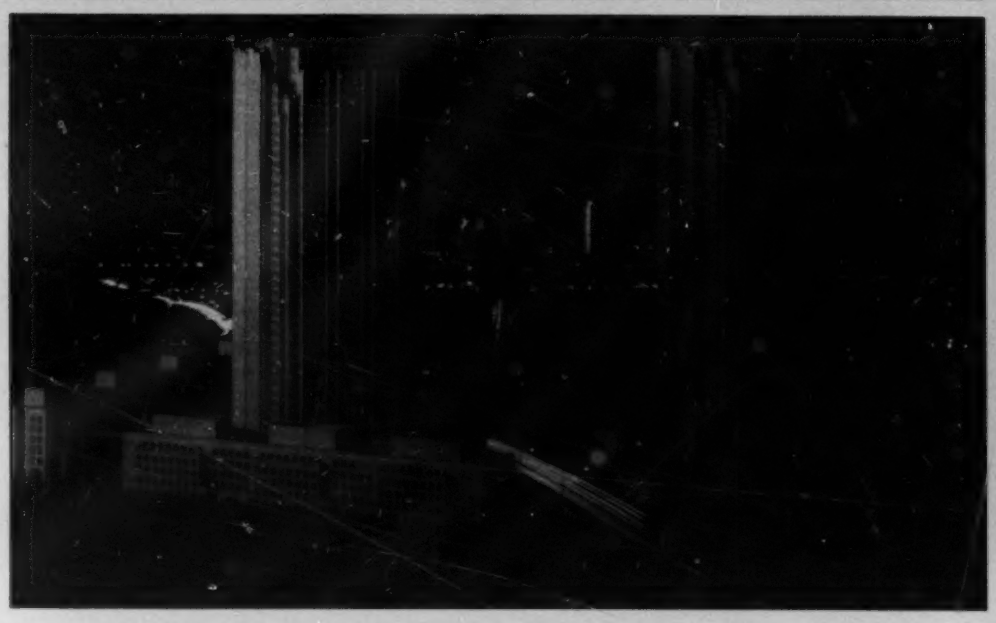

Southland Corp.'s Cityplace Center in Dallas was financed with $290 million in eight-year notes. The deal was put together by Goldman, Sachs and secured with a letter of credit provided by a syndicate of banks.

# Innovative financings prevail in 1987's deals

By Steve Hemmerick

New pools of capital and unusual combinations of financing tools characterized the innovative real estate deals so far this year, with Japanese buyers continuing to play key roles.

Among the significant deals:

• The $287 million financing of 75 State St. in Boston's financial district, one of the year's major securitizations of a commercial mortgage. In the deal, a commercial paper issue was securitized by third-party credit enhancement with interest-rate swaps to fix the rate.

The deal allowed a limited partnership to proceed with the development of the 31-story office building. Equitable Real Estate Investment Management Inc., New York, and The Beacon Cos., Boston, are general partners, each with 40% ownership. A small group of other investors owns the remaining 20%.

The deal includes commercial paper backed by a letter of credit from Citibank and interest rate swaps and various interest rate hedging devices, said Robert J. Perriello, a senior vice president with Beacon.

All the elements had never before been combined to finance a to-be-built office building with no pre-leasing, he said. Traditionally, such ventures would be financed with construction and long-term loans.

Mr. Perriello said the project's total interest cost is about 9.5%, equivalent to a bullet loan rate on an already-constructed building.

He said the financing was ar-

*Continued on page 45*

# Developers plan resorts

LAGUNA NIGUEL, Calif. — Two developers — Hemmeter Corp., Honolulu, and Irvine Co., Laguna Niguel, Calif., are working on deals that could turn Orange County's southern coastline into an international resort stop.

Hemmeter executives are quietly negotiating with officials of Stein-Brief Group for the development of an approximately $250 million, 1,000-plus-room resort, sources said. Hemmeter is known for its hugely successful string of Hawaii destination resorts; Stein-Brief is a development company that owns one of two remaining undeveloped long stretches on the Orange County coastline.

Hemmeter reportedly has acquired a one-year option on a hotel site at Monarch Beach, just up the coast from Dana Point and the city of Laguna Beach, both popular tourist resorts.

If officials from Hemmeter and Stein-Brief can work out an amicable plan, sources said, Hemmeter will buy an interest in the site and Hemmeter and Stein-Brief will seek third-party financing.

Sources have said the two developers already put together a conceptual plan that, so far, has not met with any local government opposition.

*Continued on page 41*

# Consultants are crucial, and know it

By Steve Hemmerick

Some consultants have "virtual control" over pension funds, says James Nugent of Coldwell Banker; consultant-turned-manager John McMahan notes the "short list" is one of their most powerful tools.

Consultants wield immense power over the more than $90 billion in tax-exempt assets, sometimes being courted like kings and queens by real estate managers and deeply depended upon by pension committees and boards that are more comfortable with stocks and bonds.

Without the help of consultants, the amount of new money invested in real estate each year might slow to a trickle, real estate investment managers contend.

Although part of their task is to try and quantify real estate, consultants acknowledge the numbers are much less dependable than they are for financial assets.

Consequently, reality in the world of real estate is what the consultants say it is, and many of the decisions pension committees and boards make are based on reality that is given to them.

That power is sharply recognized by real estate

*Continued on page 42*

# Forecasts put real estate on shaky ground

By Nancy White Norkus

PROPERTY'S
## Crystal Ball
### The economy

Inflation will climb as little as 2.75% or as much as 5% by the end of 1988, prompting skepticism about the performance of real estate as an asset class, PROPERTY's Crystal Ball survey of economists showed.

In addition, short-term interest rates will be between 5.25% and 6.7% in 15 months, the survey predicted.

Economists were asked to predict inflation as measured by the overall Gross National Product deflator, a price index based on domestically produced goods; interest rates as measured by 90-day Treasury bills; and employment growth. Economist also used permit values and housing starts to draw some conclusions about future real estate performance.

The slight hike in interest rates will bring up cap rates and make investment classes more competitive with real estate, explained David Shulman, vice president-real estate research, Salomon Brothers Inc., New York.

"We expect interest rates to rise from current levels — the three-month T-bill could move up another half a point — but rates will fall as the Fed is accommodative because of a weakening economy and the upcoming election," said Jesse M. Abraham, manager-economic forecasting at Dodge/DRI Construction & Real Estate Information Service, Lexington, Mass.

A slowdown in the general economy will bring down demand for real estate, said Robert A. Frank, senior real estate analyst at Alex. Brown & Sons Inc., Baltimore. "We expect real estate to continue to underperform stocks and bonds next year," he said.

Adjustments in permit values of non-residential properties also affect the real estate market, said Richard Kateley, executive vice president of Real Estate Research Corp., Chicago.

And, "Contract starts (not building permits) in square footage declined by some 7% — from 1.3 billion square feet (worth $79.18 billion) to 1.2 billion square feet (worth $78.97 billion) in 1988," said Mr. Abraham.

"More buildings are coming onto the market, but many of these are projects started years earlier that are just reaching conclusion." He predicted further slowdowns in the next two to five years.

Synchronized with the downturn in non-residential buildings, housing starts are predicted to fall to 1.6 million in 1988 from 1.63 million in 1987, said Gopal Ahluwalia, director of research with the National Association of Home Builders, Washington.

"A slight drop in construction starts won't do enough to help raise real estate value," reasoned Mr. Kateley. "I'm surprised it isn't going down more — we should see a halt in commercial development. We don't need any new space."

There is no indication that employment figures will help trim the supply gap. "Non-agricultural employment grows 2.2% for the next four quarters, keeping the unemployment rate below 6%," said DRI's Mr. Abraham. "But this is not enough to make a significant difference in many markets."

Philadelphia-based Wharton Econometrics Senior Economist John M. Savacool predicted "the job creation rate will rise only 2.3% for the next 12 months."

Wells Fargo Investment Advisors, San Francisco, predicted an even smaller growth in employment than DRI — 1.1% by Dec. 31, 1987; 1.7% through 1988, said Harold Nathan, senior economist.

The only positive news might come from inflation, where a rise in 1988 would boost property values, Mr. Abraham noted. "We expect inflation to pick up from its current rate, as import prices rise and filter through the price structure."

Expected to lag stocks and bonds into 1988, real estate is still finding its way back into institutional portfolios.

"Over the past two years we have had no real estate in our asset mix. About a month ago we shifted to include a 5% component in real estate," explained John S. Hekman, senior economist at The Claremont Economics Institute, Claremont, Calif. The firm recommends asset mixes in its investment newsletter, The Main Street Journal.

"We don't think the returns will be as strong as other vehicles over the next few years, but prices have bottomed out and we see it as a good time to buy in real estate," he said.

"I would say we're in a real estate liquidation phase now, but we do see a long-term favorable outlook, three to five years out," said Mr. Frank. "It's a good time to buy for value, but we're being very choosy, buying only public securities, REITs. We want the liquidity."

Mr. Abraham concluded: "As we enter the latter half of the 1980s, the factors which spurred real estate investment will not be prevalent. Real interest rates are high, inflation has decreased sharply, and the labor force growth will be below historical trends." ■

### What the experts predict

| | Inflation* | | Interest rates** | | Growth in employment | |
|---|---|---|---|---|---|---|
| | 12/31/87 | 12/31/88 | 12/31/87 | 12/31/88 | 12/31/87 | 12/31/88 |
| Wells Fargo Investment Advisors | 4.0% | 4.30% | 6.5% | 5.90% | 1.10% | 1.7% |
| Wharton Econometrics | 4.0 | 4.20 | 6.1 | 6.70 | NA | 2.3 |
| National Association of Home Builders | 3.3 | 5.00 | 5.7 | 6.80 | NA | NA |
| Dodge/DRI | 3.2 | 3.50 | 5.9 | 6.15 | 2.40 | 2.2 |
| Claremont Economics Institute | 3.5 | 2.75 | 5.5 | 5.25 | NA | NA |

* GNP price deflator
** Based on 90-day Treasury bills

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# Waikiki Center snagged

By John Covaleski

A Japanese investor paid $44.8 million in cash to a limited partnership sponsored by Integrated Resources Inc., New York, for Waikiki Trade Center, considered the finest office property in the Waikiki area of Honolulu County.

Ching Ming Wang, through his Yamate Real Estate Co. Ltd., Tokyo, acquired the property for about $11.3 million more than Integrated paid for it in 1985.

The center, which opened in 1980, is reportedly the only Class A office built in Waikiki in the 1980s. With 191,000 square feet of offices and retail space, the selling price of about $235 per square foot is the most ever paid for a building there.

Integrated Resources originally acquired the center in early 1985 for $33.5 million, financed through a $15.5 million first mortgage, a $9 million purchase money mortgage and $9 million in equity. The seller was a subsidiary of MEPC PLC of the United Kingdom.

Later that year, the limited partners and Waikiki Partners Corp., an Integrated subsidiary and general partner, acquired the property from Integrated, reportedly by taking out a $2 million third mortgage, assuming the equity position and agreeing to pay off Integrated's mortgages.

Some brokers were surprised Mr. Wang bought the property because Waikiki's office market vacancy rate, now at virtually zero, is expected to increase to 17% to 25% in early 1989 upon completion of an office project owned by Mutual of New York.

"It was very prudent of Integrated to sell when it did," commented Andrew D. Friedlander, president of Monroe & Friedlander Inc., a Honolulu-based brokerage firm. He predicted Waikiki's office vacancy rate will reach at least 25% in spring when MONY completes the conversion into offices of a 150,000-square-foot retail center it owns.

Benjamin D. Fein, executive vice president of Integrated, said his firm originally felt Waikiki Trade Center was a strong property. He said Integrated structured the 1985 acquisition largely as a tax-advantaged deal, but those advantages were wiped out with tax reform. He said he decided to sell this year when Japanese investors began approaching him about the property.

The sale will give the limited partners almost triple their net investment in the property, according to Mr. Fein. He said the group of high net-worth individuals collectively will receive at least $6 million in the sale. They put $2.5 million to $3 million into the deal, and saved $1.5 million in tax breaks, for a net investment of about $1.5 million, he said.

Integrated's sub, the general partner, will receive about $120,000 on its investment of about $90,000, Mr. Fein said.

Another $20 million from the sale will pay off the two mortgages (one held by Integrated and one by the limited partnership) and pre-payment penalties, and $800,000 is being set aside to make good on a two-year cash flow guarantee Mr. Wang received as part of the deal.

Linda Wu, president of LNW Investments, Honolulu, which represented Mr. Wang in the deal, said her client bought the Waikiki Trade Center because "he wanted the best office building in Waikiki, and that's what this is."

Mr. Wang's other holdings in Honolulu are the 245,000-square-foot Pioneer Plaza in the central business district, and the 90,000-square-foot Kapiolani Center.

Mr. Fein said the property generated a great deal of buyer interest this year, partly because of almost $1 million in improvements, mostly to the heating and air conditioning system.

Since the Integrated-led group acquired the center, occupancy of its 114,000 square feet of offices increased to 100% from 90% and occupancy of its 76,000 square feet of retail space increased to almost 90% from about 60%. ■

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DIRECTORY

# Managers' assets up 27%

By Nancy K. Webman

Tax-exempt assets under management by 100 leading U.S. real estate money managers — including the 50 largest — grew a healthy 27% in the year ended June 30, while tax-exempt investors were making fundamental changes in how and where they invest their money.

Thanks, largely, to a steady flow of new commitments from public pension funds, tax-exempt real estate assets under management increased to $77.613 billion as of June 30, from $61.113 billion a year earlier, PROPERTY's survey shows.

(That $61.1 billion was revised from the $73.3 billion published in the Sept. 15, 1986, issue of Pensions & Investment Age because Aetna Life & Casualty incorrectly included almost $12.2 billion of general account mortgage assets in response to last year's survey.)

Total real estate assets held by the 100 managers increased 12% to $265.3 billion as of June 30, from $236.7 billion a year earlier. More than half of the total — almost $140 billion — was in mortgages and hybrid debt, the favored forms of investment for insurance company general accounts.

Because the 27% increase in tax-exempt assets comes at a time when the real estate industry is undergoing a downturn, the growth appears to be the result of new commitments from public funds that previously had been lagging their corporate counterparts in moving into real estate, consultants said.

But Bill Cottle, a real estate consultant with Callan Associates, San Francisco, said his firm also has had "a fair number of corporate clients who have added real estate, who were basically at zero (allocation) and committed, maybe 5% of assets."

Whether new contributions or old, tax-exempt investors — through their real estate managers — are making significant changes in their strategies for investing those assets:

- Pension funds and other tax-exempt institutions are putting more money into multifamily housing, hotels and resorts, mixed-use developments and other property classes, and less into office buildings and retail, their former mainstays.
- Tax-exempt institutions are increasing their investments in developmental deals, committing 11% of their assets to developmental projects as of June 30, vs. 7% a year earlier.
- Investors increasingly are turning to direct, separate account management and away from commingled funds.

Of the $77.6 billion in tax-exempt assets under management by the firms surveyed, 45.4% is in separate accounts, compared with 32% as of June 30, 1986.

Pension funds will continue to increase their commitments to separate accounts, said Catherine Janson, a real estate consultant with Buck Consultants, New York. Minimum account sizes are dropping because managers are co-investing the assets of several clients' separate accounts, she noted.

- Institutional investors are continuing to increase their investments in equity real estate.

The amount of money pension funds, foundations, endowments and other investors commit to equity real estate grew to more than $57 billion as of June 30, from $45.2 billion a year earlier. Equity investments represent 73.5% of tax-exempt assets under management by the 100 real estate firms in the survey, about the same percentage as the year before.

Three factors are most responsible for these evolutionary shifts.

First, tax-exempt investors are becoming more knowledgeable about, and more comfortable with, real estate as an asset class.

The increase in developmental deals is "a function of being better educated in the real estate market and being more willing to accept more risk," said Callan's Mr. Cottle.

That growing level of comfort and sophistication also leads to a willingness to venture away from commingled real estate pools. The jumbo commingled funds, broadly diversified by property type and geographic location, have been viewed as benchmarks for the institutional real estate market, functioning similar to index funds.

Investors' desire to outperform the market likely has led to their increased commitments to what had been less traditional avenues, such as separate accounts and investments in developmental properties.

Second, returns on some office and retail properties, the traditional havens for tax-exempt real estate money, are suffering. Buck's Ms. Janson said part of the decline in assets in offices results from writedowns by managers on office properties in weak markets, including the oil patch. In retail, she said, strip shopping centers are overbuilt, though regional malls are doing well.

Third, competition for trophy properties from foreign investors, especially the Japanese, is forcing U.S. institutions to diversify into other areas (both by property type and geography).

Changes in investments by property type, while not glaring, are significant.

According to PROPERTY's survey of 100 real estate money managers, tax-exempt investors had 39% of their assets in office/commercial properties as of June 30, down from 40% a year ago and 20% in retail, down from 22%; 18% industrial, down from 20%; and 3% in land, down from 6%.

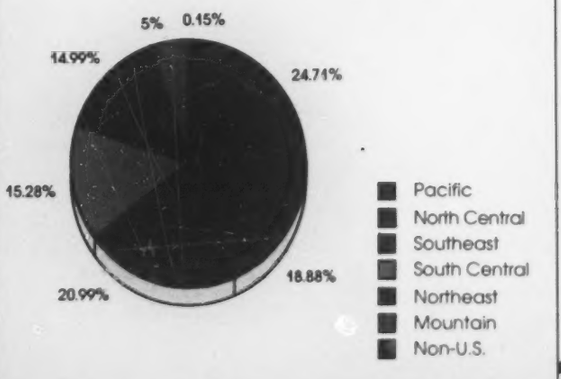
Assets were moved into what last year's survey referred to as "other" property types, among them hotels/resorts, mixed-use developments, multifamily housing, congregate care and health-care facilities. The 100 managers surveyed had 20% of their assets in those areas as of June 30, up from 12% a year earlier.

Specifically, the managers reported they had 9% of their assets in multifamily housing as of June 30; 2% each in hotels/resorts and mixed-use developments; and 7% in other property types, mostly research and development.

(If research and development properties are

*Continued on page 34*

## Investments by region




Key to geographic areas:

NORTH CENTRAL: Ohio, Illinois, Indiana, Michigan, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, North Dakota, Nebraska and Kansas.

NORTHEAST: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey and Pennsylvania.

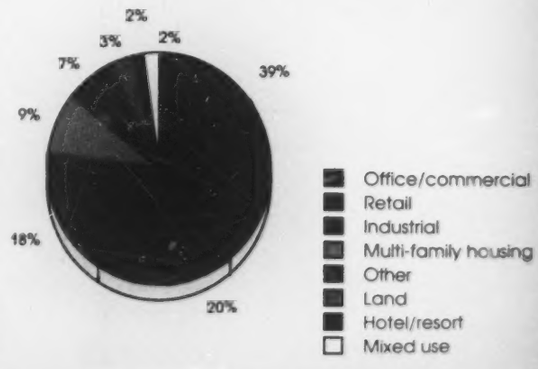
SOUTH CENTRAL: Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma and Texas.

SOUTHEAST: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina and Georgia.

MOUNTAIN: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah and Nevada.

PACIFIC: Alaska, Washington, Oregon, California and Hawaii.

## Investments by property type



# Real estate investment advisers ranked by tax-exempt assets

| | Firm | Tax-exempt assets: Total | Equity | Hybrid debt | Mortgages | Total taxable/ tax-exempt | Total assets: Equity | Hybrid debt | Mortgages |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Equitable Real Estate Investment Mgmt. | 6,887 | 6,365 | 153 | 369 | 26,644 | 13,472 | 1,721 | 11,451 |
| 2. | Prudential Realty Group | 5,709 | 5,476 | | 233 | 33,937 | 9,601 | 5,293 | 19,043 |
| 3. | Aetna Life & Casualty | 4,065 | 2,937 | 1,091 | 37 | 23,683 | 4,058 | 1,099 | 18,526 |
| 4. | Heitman Advisory | 3,993 | 3,993 | | | 4,265 | 4,265 | | |
| 5. | Copley Real Estate Advisors | 3,870 | 3,870 | | | 7,900 | 7,900 | | |
| 6. | RREEF | 2,984 | 2,984 | | | 2,984 | 2,984 | | |
| 7. | F.I.A. Associates | 2,421 | 1,058 | 1,026 | 157 | 2,421 | 1,058 | 1,206 | 157 |
| 8. | Corporate Property Investors | 2,400 | 2,400 | | | 3,200 | 3,200 | | |
| 9. | JMB Institutional Realty | 2,293 | 2,293 | | | 16,769 | 16,164 | 237 | 368 |
| 10. | Boston Co. Real Estate Counsel | 2,104 | 286 | 1,818 | | 2,104 | 286 | 1,818 | |
| 11. | Balcor Institutional Realty Advisors* | 2,083 | 351 | 1,732 | | 6,370 | 3,733 | 1,732 | |
| 12. | Aldrich, Eastman & Waltch | 2,007 | 232 | 1,535 | 240 | 2,300 | 400 | 1,660 | 240 |
| 13. | Eastdil Realty | 1,936 | 1,570 | 92 | 274 | 2,085 | 1,669 | 92 | 324 |
| 14. | LaSalle Advisors | 1,904 | 1,904 | | | 1,904 | 1,904 | | |
| 15. | TCW Realty Advisors | 1,419 | 1,080 | 339 | | 1,419 | 1,080 | 339 | |
| 16. | J.P. Morgan Investment Mgmt. | 1,353 | 611 | 742 | | 1,743 | 902 | 841 | |
| 17. | CIGNA Asset Advisers | 1,326 | 1,326 | | | 11,736 | 2,455 | | 9,281 |
| 18. | Richard Ellis | 1,310 | 1,190 | 120 | | 3,200 | 3,080 | 120 | |
| 19. | McMorgan | 1,300 | 300 | | 1,000 | 1,300 | 300 | | 1,000 |
| 20. | Latimer & Buck | 1,243 | | 597 | 646 | 1,243 | | 597 | 646 |
| 21. | Mellon Real Estate Investment | 1,100 | 500 | 370 | 230 | 1,100 | 500 | 370 | 230 |
| 22. | Security Capital Real Estate | 1,045 | 1,045 | | | 1,300 | 1,300 | | |
| 23. | August-Am Cal Advisors | 1,035 | 387 | 293 | 355 | 1,194 | 387 | 293 | 514 |
| 24. | Jones Lang Wootton Realty Advisors | 1,000 | 800 | 200 | | 1,700 | 1,500 | 200 | |
| 25. | First Chicago Investment Advisors | 980 | 980 | | | 1,025 | 1,025 | | |
| 26. | Wells Fargo Realty Advisors | 866 | 222 | 297 | 347 | 3,263 | 325 | 297 | 2,641 |
| 27. | Lehndorff & Babson Real Estate Counsel | 845 | 845 | | | 1,962 | 1,962 | | |
| 28. | L.J. Melody | 815 | | 483 | 332 | 2,254 | | 802 | 1,452 |
| 29. | Alex. Brown Realty Advisors | 797 | 153 | 612 | 32 | 1,397 | 753 | 612 | 32 |
| 30. | Property Capital Associates | 744 | 744 | | | 744 | 744 | | |
| 31. | Kennedy Associates Real Estate Counsel | 718 | 411 | 264 | 43 | 718 | 411 | 264 | 43 |
| 32. | Coldwell Banker Capital Mgmt. Services | 716 | 716 | | | 716 | 716 | | |
| 33. | J.W. O'Connor | 683 | 604 | 79 | | 743 | 664 | 79 | |
| 34. | Metropolitan Life Insurance | 665 | 599 | | 66 | 19,200 | 6,500 | | 12,700 |
| 35. | Lomas & Nettleton Advisory Group | 664 | | 501 | 163 | 664 | | 501 | 163 |
| 36. | John Hancock Properties | 659 | 659 | | | 1,664 | 1,664 | | |
| 37. | Citicorp Real Estate Investment & Mgmt.* | 634 | 500 | 93 | 41 | 779 | | | |
| 38. | First Wachovia Bank & Trust | 619 | 619 | | | 619 | 619 | | |
| 39. | Karsten Realty Advisors | 586 | 373 | 67 | 146 | 854 | 641 | 67 | 146 |
| 40. | First RepublicBank Dallas | 566 | 480 | | 86 | 987 | 898 | | 89 |
| 41. | NCNB National Bank* | 562 | 372 | 111 | | 762 | 572 | 111 | |
| 42. | PSI Institutional Realty | 555 | 555 | | | 2,200 | 2,200 | | |
| 43. | Travelers | 507 | 422 | | 85 | 18,809 | 1,403 | | 17,406 |
| 44. | Phoenix | 472 | 123 | 131 | 218 | 2,050 | 406 | 216 | 1,428 |
| 45. | MIG Realty Advisors | 439 | 186 | 128 | 125 | 439 | 186 | 128 | 125 |
| 46. | Scudder Realty Advisors | 401 | 32 | 76 | 293 | 401 | 32 | 76 | 293 |
| 47. | State Street Bank and Trust* | 396 | 162 | 131 | | 396 | 162 | 131 | |
| 48. | McMahan Real Estate Services | 383 | 301 | 82 | | 400 | 318 | 82 | |
| 49. | PMRealty Advisors | 335 | 335 | | | 661 | 661 | | |
| 50. | Union Labor Life Insurance | 324 | | | 324 | 324 | | | 324 |
| 51. | Chesterton USA | 303 | 207 | 96 | | 303 | 207 | 96 | |
| 52. | Goldman, Sachs | 291 | 291 | | | 338 | 338 | | |
| 53. | Hancock Timber Resource Group | 269 | 269 | | | 432 | 283 | 7 | 142 |
| 54. | Johnstown Institutional Advisors | 267 | 70 | 168 | 29 | 5,192 | 4,593 | 332 | 267 |
| 55. | Bennett & Kahnweiler Realty Advisors | 265 | 260 | 5 | | 315 | 310 | 5 | |
| 56. | Fayez Sarofim | 253 | | | 253 | 253 | | | 253 |
| 57. | Bank of Boston* | 228 | 172 | 56 | | 228 | 172 | 56 | |
| 58. | Frank Russell Trust* | 223 | 223 | | | 223 | 223 | | |
| 59. | Trident/Meyer Real Estate Advisors | 208 | 156 | | 52 | 208 | 156 | | 52 |
| 60. | Equitec Institutional Realty Advisers | 200 | 200 | | | 1,600 | 1,600 | | |
| 61. | Principal | 184 | 66 | | 118 | 9,394 | 246 | | 9,148 |
| 62. | Grubb & Ellis Investment Advisors | 178 | 157 | 5 | 16 | 729 | 662 | 29 | 38 |
| 63. | Piedmont Realty Advisors | 153 | 80 | 73 | | 1,050 | 331 | 719 | |
| 64. | Loeb Partners Realty | 150 | 150 | | | 650 | 650 | | |
| 65. | Woodmont Realty Advisors | 150 | 150 | | | 500 | 500 | | |
| 66. | Trinity Advisors | 137 | 137 | | | 137 | 137 | | |
| 67. | Schroder Real Estate Associates | 125 | 125 | | | 1,127 | 1,100 | | 27 |
| 68. | Landauer Advisors | 114 | 114 | | | 321 | 321 | | |
| 69. | Bruce R. Lieberman | 100 | 80 | | 20 | 100 | 80 | | 20 |
| 70. | Wellington Real Estate | 100 | | | 100 | 100 | | | 100 |
| 71. | National Property Advisors | 100 | 99 | 1 | | 282 | 280 | 1 | |
| 72. | SUHRCO Real Estate Advisors | 85 | 85 | | | 100 | 100 | | |
| 73. | T. Rowe Price Realty Advisers | 84 | 84 | | | 240 | 240 | | |
| 74. | D.A. Management | 83 | 56 | 15 | 12 | 83 | 56 | 15 | 12 |
| 75. | MRealty | 76 | 76 | | | 231 | 220 | 2 | 9 |
| 76. | MONY Financial Services | 72 | 72 | | | 4,072 | 1,072 | | 3,000 |
| 77. | Mass Mutual Life Insurance | 71 | 71 | | | 4,460 | 660 | | 3,800 |
| 78. | Chase Investors Management* | 70 | 15 | 55 | | 2,200 | | | |
| 79. | Acquest Capital Mgmt. | 60 | 3 | 19 | 38 | 105 | 3 | 48 | 54 |
| 80. | Tomlin Properties | 47 | 47 | | | 508 | 508 | | |
| 81. | Hayden, Tolzmann & Associates | 37 | 37 | | | 37 | 37 | | |
| 82. | Peckham Boston | 30 | 30 | | | 30 | 30 | | |
| 83. | Third National Bank | 30 | 24 | 6 | | 76 | 70 | 6 | |
| 84. | Harris Trust and Savings Bank | 28 | 26 | 2 | | 20 | 18 | 2 | |
| 85. | Southport Financial | 28 | 28 | | | 103 | 97 | 6 | |
| 86. | Forest Investment Associates | 26 | 26 | | | 26 | 26 | | |
| 87. | United Virginia Bank | 25 | 25 | | | 25 | 25 | | |
| 88. | Garrett Realty Advisors | 20 | 20 | | | 20 | 20 | | |
| 89. | Mercantile Bank*c | 13 | | | | 13 | | | |
| 90. | HT Investors | 10 | 10 | | | 10 | 10 | | |
| 91. | Centerre Trust Co./St. Louis | 8 | 8 | | | 8 | 8 | | |
| 92. | American Agricultural Investment Mgmt.* | 7 | | | | 14 | | | |
| 93. | First Wisconsin Trust* | 7 | 7 | | | 20 | | | |
| 94. | Oxford Realty Advisors | 0 | | | | 1,900 | 320 | 300 | 1,280 |
| 95. | Agrivest | 0 | | | | 470 | 50 | | 420 |
| 96. | AMB Investments | 0 | | | | 250 | 250 | | |
| 97. | Jacques & Kurdziel | 0 | | | | 250 | 250 | | |
| 98. | Wagner Forest Investments* | 0 | | | | 65 | | | |
| 99. | Farmvest | 0 | | | | 2 | 2 | | |
| 100. | Smith Barney Bircher Realty Advisors | 0 | | | | 0 | | | |
| | TOTAL | 77,613 | 57,087 | 13,845 | 6,479 | 265,332 | 121,302 | 22,608 | 117,244 |

* Manager of managers
c REITS
* Other assets included in total

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## Aetna Life & Casualty

151 Farmington Ave., Hartford, Conn. 06156; (203) 636-6226

| | |
|---|---|
| Tax-exempt real estate assets | $4,065 million |
| Equity | $2,937 million |
| Hybrid debt | $1,091 million |
| Mortgages | $37 million |
| Commingled or pooled funds | |
| Equity | $2,537 million |
| Hybrid debt | $1,052 million |
| Direct, separate accounts | |
| Equity | $399 million |
| Hybrid debt | $40 million |
| Mortgages | $37 million |
| Total real estate assets | $23,683 million |
| Equity | $4,058 million |
| Hybrid debt | $1,099 million |
| Mortgages | $18,526 million |

As of June 30, the tax-exempt equity assets of Aetna Life & Casualty had a market value of $2.172 billion. Contributions received by not invested were $115 million; contributions committed but not received were $650 million.

The hybrid debt holdings had a market value of $987 million. Contributions received by not invested were $104 million. The market value of the mortgages was $7 million; contributions committed but not received were $30 million.

Of the total under management, $121 million was for foreign clients.

For tax-exempt assets, the mix by property type was 44.4% commercial; 15.1% retail; 6.2% hotel/resort; 12.3% mixed use; 10.6% industrial; 11.2% multifamily housing; and 0.2% single family mortgages.

For taxable assets, the mix by property type differs little; however, taxable clients are more likely to be involved in development investments at the early stages such as land acquisition or zoning approval.

During the next year, the firm expects to be a net buyer of retail, apartments and industrial properties and a net seller of office, hotels, and office/R&D and mixed-use properties.

Aetna expects to be a net buyer in the Northeast, Pacific, North Central and Southeast regions and a net seller in the South Central and Mountain regions.

The concentration during the next year will be on property management through tenant retention, new leasing and improving and repositioning investments by expansion and/or renovation.

Aetna offers open- and closed-end funds, including specialty (one property type) and participating mortgage funds; individual separate accounts; and single-property separate accounts.

Open-end funds are the $1.779 billion Real Estate Separate Account, which invests, nationwide, in all property types, either existing, well-leased or to-be-built properties, with investments structured either as joint ventures or wholly owned ones; the $985 million Participating Mortgage Separate Account; the $49 million Union Separate Account, which invests in participating mortgages in union-built properties.

Aetna's Institutional Investors I limited partnership closes Sept. 30; it will invest primarily in apartments, retail centers and industrial properties.

Aetna handles property management for 35% of the properties it owns; Lincoln Property Co., Rouse, Coldwell Banker and Rubloff are among those managing property for Aetna.

The parent company is Aetna Life and Casualty Co. Its subsidiary is Aetna Realty Investors Inc.

William M. Russell, senior vice president-equity real estate investments, and Blake W. Irons, senior vice president-mortgage financing, are in charge of making property investments. T. Jerald Moore, vice president-employee benefits division, is client contact.

## Aldrich, Eastman & Waltch

265 Franklin St., Boston, Mass. 02110; (617) 439-9000

| | |
|---|---|
| Tax-exempt real estate assets | $2,007 million |
| Equity | $232 million |
| Hybrid debt | $1,535 million |
| Mortgages | $240 million |
| Direct, separate accounts | |
| Equity | $232 million |
| Hybrid debt | $1,535 million |
| Mortgages | $240 million |
| Total real estate assets | $2,007 million |

Aldrich, Eastman & Waltch Inc.'s asset mix by property type as of June 30 was 37% office/commercial; 41% retail; 1% hotel/resort; 12% industrial; and 9% development.

The property mix by location was 43% East, 12% South, 31% West and 14% Midwest.

The concentration during the next year will be on acquisition and property management and, when appropriate, sales and refinancing.

Aldrich, Eastman & Waltch offers separate accounts. It serves as investment adviser to State Street Bank & Trust Co.'s series of closed-end commingled funds, which have $293 million in equity and hybrid debt.

The firm doesn't provide property management.

Six of the firm's principals are in charge of making property investments. Robert J. Hannan, vice president, is client contact.

PROPERTY's Agenda: page 38.

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Washington, D.C. 20005

## Alex. Brown Realty Advisors

225 E. Redwood St., Baltimore, Md. 21202; (301) 727-3884

| | |
|---|---|
| Tax-exempt real estate assets | $797 million |
| Equity | $153 million |
| Hybrid debt | $612 million |
| Mortgages | $32 million |
| Direct, separate accounts | |
| Equity | $153 million |
| Hybrid debt | $612 million |
| Mortgages | $32 million |
| Total real estate assets | $1,397 million |
| Equity | $753 million |
| Hybrid debt | $612 million |
| Mortgages | $32 million |

As of June 30, the tax-exempt equity assets of Alex. Brown Realty Advisors Inc. had a market value of $91 million. Contributions committed but not received were $62 million.

The hybrid debt holdings had a market value of $412 million. Contributions committed but not received were $200 million. Mortgages had a market value of $32 million.

For tax-exempt assets, the mix by property type is 60% office/commercial, 14% retail, 20% hotel/resort, 3% industrial, 2% multifamily housing and 1% health care.

Investments for taxable clients typically are in multifamily and retail properties.

The firm expects to be a net buyer of retail, office and industrial properties during the coming year.

The total property portfolio is 10% in the North Central region; 15%, Northeast; 13%, South Central; 24%, Southeast; 6%, Mountain and 32%, Pacific. The firm expects to be a net buyer in the Northeast, Southeast and Pacific regions.

The concentration during the next year will be on acquisition to fulfill client objectives.

The firm offers separate accounts and closed-end funds.

Alex Brown does no property management. For property management, its hires Cushman & Wakefield and Norris, Beggs & Simpson.

Clients include Oregon Employes and Texas Teachers.

The parent company is Alex. Brown & Sons. Robert H. Gidel, president, is in charge of making property investments. William K. Morrill, vice president, is client contact.

## August-Am Cal Advisors Inc.

4730 Woodman Ave., No. 220, Sherman Oaks, Calif. 91423; (818) 990-3250

| | |
|---|---|
| Tax-exempt real estate assets | $1,035 million |
| Equity | $387 million |
| Hybrid debt | $293 million |
| Mortgages | $355 million |
| Direct, separate accounts | |
| Equity | $387 million |
| Hybrid debt | $293 million |
| Mortgages | $355 million |
| Total real estate assets | $1,194 million |
| Equity | $387 million |
| Hybrid debt | $293 million |
| Mortgages | $514 million |

As of June 30, the tax-exempt equity assets of August-Am Cal Advisors Inc. had a market value of $352 million. Contributions received but not invested were $35 million. The hybrid debt holdings had a market value of $293 million. The mortgage assets had a market value of $341 million. Contributions committed but not received were $13 million.

For tax-exempt assets, the mix by property type is 14.4% office/commercial, 17.5% retail, 10% hotel/resort, 10% mixed use, 16.8% industrial, 29.5% multifamily housing and 1.8% congregate care and senior housing.

The firm expects to be a net buyer of apartments, retail shopping centers, garden-type office buildings, senior housing and congregate care.

The total property portfolio is located 10% in the North Central region; 2% Northeast; 5% South Central; 8% Southeast; 9% Mountain; and 66% Pacific. August-Am Cal expects to be a net buyer in all regions.

The concentration during the next year will be on acquisition and foundation loan commitments, based on client guidelines.

August-Am Cal offers separate accounts and an open-end fund.

Building for America Fund is a group trust for Taft-Hartley pension plans. Union-built apartments will be purchased at completion, with a pre-set occupancy level, under contract with developers/builders.

It does property management for 60% of the properties it owns. The firm also does workouts on specific properties from FSLIC.

Investment clients include Hawaii Development Foundation; Southern Electrical Retirement Fund and Carpenters Pension Trust for Southern California.

The parent company is August Financial Corp., a subsidiary of GLENFED Inc.

A company investment committee of senior managers is in charge of making property investments. S.Q. Della-Grotta, executive vice president, is client contact.

## Balcor Institutional Realty Advisors Inc.

4849 Golf Road, Skokie, Ill. 60077 (312) 677-2900

| | |
|---|---|
| Tax-exempt real estate assets | $2,083 million |
| Equity | $351 million |
| Hybrid debt | $1,732 million |
| Commingled or pooled funds | |
| Equity | $351 million |
| Hybrid debt | $1,732 million |
| Total real estate assets | $6,370 million |
| Equity | $3,733 million |
| Hybrid debt | $1,732 million |
| Other | $905 million |

As of June 30, the tax-exempt equity assets of Balcor Institutional Realty Advisors had a market value of $281 million. Contributions received but not invested were $70 million.

The hybrid debt holdings had a market value of $1.588 billion. Contributions received but not invested were $144 million.

In its taxable portfolio, Balcor has $905 million invested in short-term and interim construction loans.

For tax-exempt assets, the mix by property type is 36% office/commercial; 13% retail; 1% hotel/resort; 8% industrial; 35% multifamily housing; and 7% mobile home communities.

Taxable accounts have a greater emphasis on multifamily housing and mobile homes.

During the next year, Balcor expects to be a net buyer of office, retail and apartment properties.

Balcor's total portfolio is invested 18% in the West; 9%, East; 53%, South; and 20%, Midwest. The firm expects to be a net buyer in the Midwest, East and West.

The concentration during the next year will be on property management and acquisition.

All of Balcor's institutional assets are in commingled funds run by The Balcor Co. The institutional group plans to launch its own commingled funds as well as separate accounts.

Balcor handles property management for 94% of its commercial properties and 80% of its apartments.

Clients include Michigan Municipal Employees, Minneapolis Employees and Iron Workers Local No. 16.

The parent company is Shearson Lehman Brothers Inc., which also owns Boston Co. Real Estate Counsel.

Richard B. Stern, first vice president, is in charge of equity acquisitions. Gregory S. Miller, first vice president, is in charge of participating mortgages. John L. West, president, is client contact.

## The Boston Co. Real Estate Counsel Inc.

1 Boston Place, Boston, Mass. 02106; (617) 722-7102

| | |
|---|---|
| Tax-exempt real estate assets | $2,104 million |
| Equity | $286 million |
| Hybrid debt | $1,818 million |
| Commingled or pooled funds | |
| Equity | $20 million |
| Hybrid debt | $85 million |
| Direct, separate accounts | |
| Equity | $266 million |
| Hybrid debt | $1,733 million |
| Total real estate assets | $2,104 million |

All of The Boston Co. Real Estate Counsel's assets are tax exempt. As of June 30, the market value of equity assets was $286 million.

The hybrid debt had a market value of $1.631 billion. Contributions received but not invested were $187 million.

The property type mix is 66% office/commercial, 17% retail, 4% industrial, 6% mixed use, 3% multifamily housing and 4% research and development.

Its geographic mix is 11% North Central; 39% Northeast; 4% South Central; 16% Southeast; 30% Pacific states.

The firm expects to be a net buyer of apartments, office, industrial and retail properties during the next year, especially in the Northeast, Pacific states and North Central regions.

The concentration during the next year will be on property management because of the lack of attractively priced, high-quality investments and because more competitive leasing markets will necessitate active management of existing investments.

The firm offers separate account investments and closed-end funds.

The firm doesn't handle its own property management; it usually hires the developer/owner to do so.

Clients include AT&T, General Motors and Rockwell International.

The parent company is The Boston Co. Inc.

Mary L. Johnston, senior vice president, is in charge of making property investments. Robert A. Radloff, president, is client contact.

## CIGNA Asset Advisers Inc.

Hartford, Conn. 06152; (203) 726-6000

| | |
|---|---|
| Tax-exempt real estate assets | $1,326 million |
| Commingled or pooled funds | |
| Equity | $1,213 million |
| Direct, separate accounts | |
| Equity | $113 million |
| Total real estate assets | $11,735 million |
| Equity | $2,454 million |
| Mortgages | $9,281 million |

As of June 30, the tax-exempt equity assets of CIGNA Asset Advisers Inc. had a market value of $1.031 billion. Contributions received but not invested were $140 million; contributions committed but not received were $155 million.

Of the total under management, $42 million was for foreign clients, all pension clients.

For its tax-exempt assets, CIGNA's property mix is 32.6% office/commercial; 22.6% retail; 4.1% hotel/resort; 4.3% mixed use; 4.2% industrial; 10.1% multifamily housing; and 22.1% research and development.

It is placing greater emphasis on retail, research and development and apartment properties and less emphasis on office buildings and hotels.

Its total property portfolio has a geographic mix of 23.4% North Central; 6.7% Northeast; 24.7% South Central; 25.1% Southeast; 0.6% Northwest; and 19.5% Southwest. The firm expects to be a net buyer in the Northeast, Midwest and Florida, and some sales in the Northeast.

During the next year, CIGNA will concentrate on acquisitions, followed by property management because the current, difficult market has undervalued properties worth purchasing and makes aggressive property management a high priority.

CIGNA offers open- and closed-end funds, direct separate accounts and limited partnerships.

Fund T, a closed-end limited partnership, and CERF II, a closed-end fund, both are accepting subscriptions. Both funds will have relatively short lives of about seven years. They will invest in properties requiring rehabilitation or upgrading with the potential for high capital appreciation.

Separate Account R, an open-end fund, consists of moderate, existing and to-be-built properties, diversified by property type and location. Investments can be 100% equity, construction loans convertible to equity and joint ventures.

Property management is often handled by joint venture partners. Other firms hired include Trammell Crow, R&B, PCA, Koll and Chasewood.

Investment clients include Kellogg, New York Common, Ford and Salt River Project.

The parent company is CIGNA Corp. CIGNA Investments Inc. handles real estate management.

Thomas P. Mahoney, vice president, has chief responsibility for making

property investments. Richard R. Anderson, senior vice president, is client contact.

### Citicorp Real Estate Investment & Management

153 E. 53rd St., 15th Floor, New York, N.Y. 10043 (212) 559-9332

| | |
|---|---|
| Tax-exempt real estate assets | $634 million |
| Equity | $500 million |
| Hybrid debt | $93 million |
| Mortgages | $41 million |
| Commingled or pooled funds | |
| Equity | $299 million |
| Hybrid debt | $93 million |
| Mortgages | $41 million |
| Direct, separate accounts | |
| Equity | $201 million |
| Total real estate assets | $779 million |

As of June 30, the tax-exempt equity assets of Citicorp Real Estate Investment & Management had a market value of $500 million. The hybrid debt holdings had a market value of $93 million; the mortgages, $41 million.

Of the total under management, $145 million was for foreign pension funds.

For tax-exempt assets, the mix by property type is 71% office/commercial, 24% retail, 2% hotel/resort and 3% industrial.

The firm expects to be a net buyer of retail, office and industrial properties during the coming year.

The total property portfolio location is 45% in the West; 9% Midwest; 38% East; 8% South.

It will be a buyer and a seller in the East in the coming year.

The concentration during the next year will be on acquisitions satisfying the investment requirements of clients; property management because of the current weakness in the real estate market; and property sales because good prices in the marketplace will permit sales at premium prices.

Citicorp offers open-end funds and direct separate accounts. Its $299 million Citicorp's Real Estate Equity Fund emphasizes properties with management and/or leasing enhancement opportunities, and has a diversified assets mix and moderate risk assumption with the objective of preservation of capital through current income and capital appreciation.

The firm does not do property management.

The parent company is Citicorp.

Michael Vitale, vice president, is in charge of making property investments. H. Piper Andrews Jr., vice president, is client contact.

### Coldwell Banker Capital Management Services

533 Fremont Ave., Los Angeles, Calif. 90071; (213) 613-3123

| | |
|---|---|
| Tax-exempt real estate assets | $716 million |
| Equity | $716 million |
| Commingled or pooled funds | |
| Equity | $528 million |
| Direct, separate accounts | |
| Equity | $188 million |
| Total real estate assets | $716 million |

As of June 30, the tax-exempt equity assets of Coldwell Banker had a market value of $716 million.

The mix by property type is 35.7% office/commercial, 25.1% retail, 17% industrial and 22.2% mixed use.

The firm expects to be a net buyer of industrial, retail and office properties.

The mix by location is 20.4% North Central, 23.1% Northeast, 12.6% South Central, 8.9% Southeast and 35% Pacific.

Coldwell Banker expects to be a net buyer in the Northeast, Pacific and North Central regions.

The concentration during the next year will be on property management because it is necessary in soft markets.

Coldwell Banker offers separate accounts and closed-end funds, which are structured as limited partnerships. The funds are basically equity funds with some development and convertible mortgages.

The firm does property management for 65% of the properties it owns.

Clients include AT&T, ITT, Alcoa, and Atlantic Richfield.

The parent company is Sears Roebuck. Another subsidiary is Homart.

Tad Jones, president, is in charge of making property investments. James G. Nugent, senior vice president, is client contact.

### Copley Real Estate Advisors

399 Boylston St., Boston, Mass. 02116; (617) 578-1200

| | |
|---|---|
| Tax-exempt real estate assets | $3,870 million |
| Equity | $3,870 million |
| Commingled or pooled funds | |
| Equity | $3,184 million |
| Direct, separate accounts | |
| Equity | $686 million |
| Total real estate assets | $7,900 million |
| Equity | $7,900 million |

As of June 30, the tax-exempt equity assets of Copley Real Estate Advisors had a market value of $3.489 billion. Contributions received but not invested were $207 million; contributions committed but not received were $174 million.

For tax-exempt assets, the mix by property type is 20% office/commercial, 5% retail, 4% hotel/resort, 8% multifamily housing, 43% industrial and 20% research and development.

The firm expects to be a net buyer of industrial, research and development, retail and residential properties during the year.

The total property portfolio location is 17.1% East; 7.9% South; 5.7% Midwest; 69.3% West.

Copley expects to be net buyers on the West and East coasts during the year.

Its concentration will be on development/management. Because of the developmental nature of Copley's strategy, to increase the value of properties the firm needs to emphasize management of its investments.

The firm offers open- and closed-end funds and separate account management. Its Developmental Properties Account is an open-fund with $731 million in net asset value.

Property management is handled by the firms' local developer partners.

Investment clients include AT&T, Blue Cross/Blue Shield Association and Boston Edison.

Its parent company is The New England, which also is a taxable client.

Kevin M. Mahony, principal, is in charge of making property investments. John C. Phillips Jr. is client contact.

### Corporate Property Investors

305 E. 47th St., New York, N.Y. 10018; (212) 421-8200

| | |
|---|---|
| Tax-exempt real estate assets | $2,400 million |
| Equity | $2,400 million |
| Commingled or pooled funds | |
| Equity | $850 million |
| Direct, separate accounts | |
| Equity | $1,550 million |
| Total real estate assets | $3,200 million |
| Equity | $3,200 million |

As of June 30, the tax-exempt equity assets of Corporate Property Investors had a market value of $2.4 billion. CPI manages a total of $3.2 billion for tax-exempt and taxable clients, of which $800 million is for foreign clients.

The asset mix by property type is 14% office/commercial 83% retail and 3% industrial.

The asset mix by location is 40% Northeast, 35% South, 7% Midwest and 18% West.

The concentration during the next year will be on property management because retail properties are overpriced.

The firm offers real estate investment trusts.

Corporate Property Investors does property management for 65% of the properties it owns. It hires Rouse, DeBartolo and Cadillac Fairview for property management.

Investment clients include GM, Pennsylvania Employees, Yale and Ford Foundation.

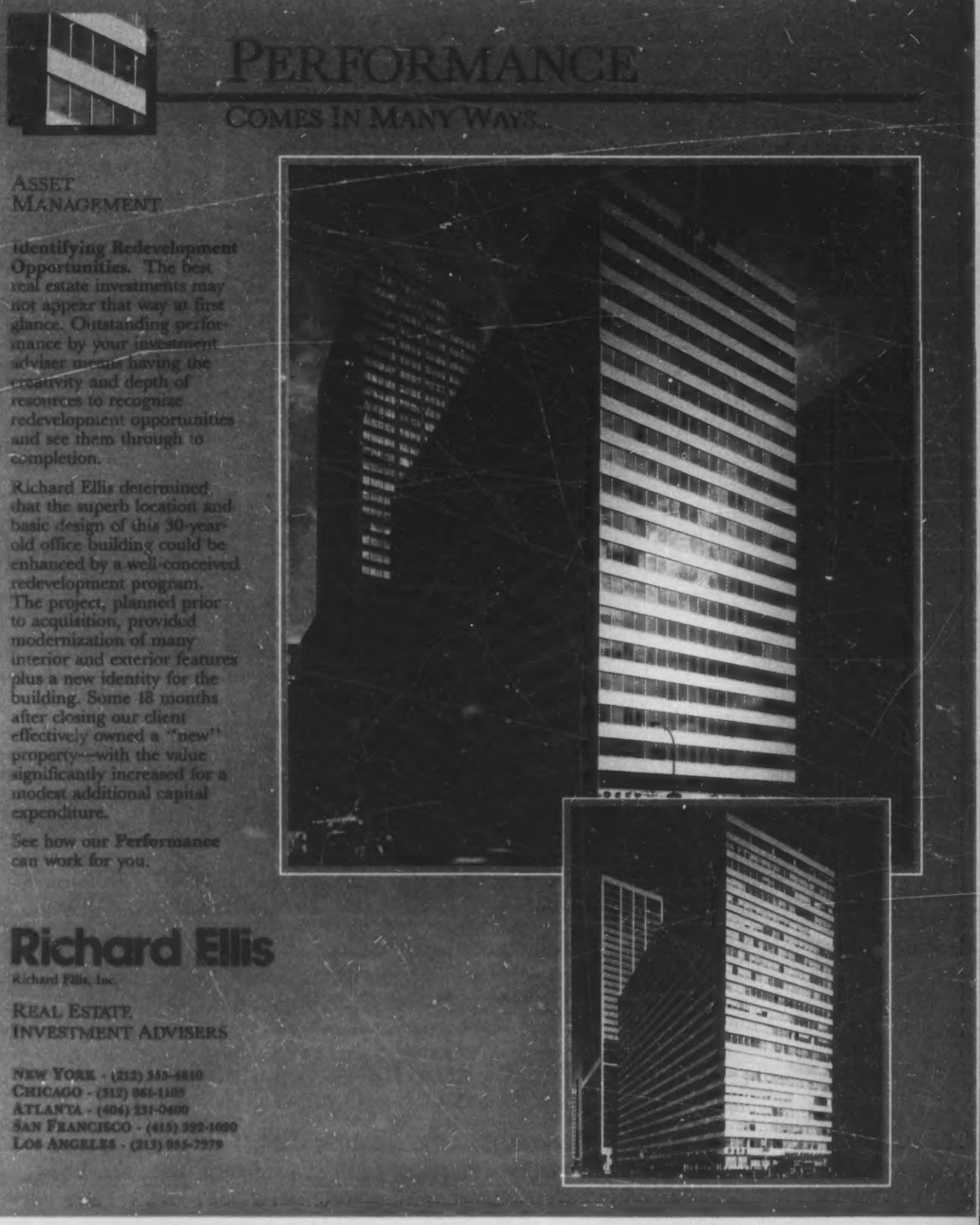
The parent company is Corporate Realty Consultants.

G. Martin Feli, senior vice president, is in charge of making property investments. Warren Hamer is client contact.

### Eastdil Realty Inc.

40 W. 57th St., New York, N.Y. 10019; (212) 315-7200

| | |
|---|---|
| Tax-exempt real estate assets | $1,936 million |
| Equity | $1,570 million |
| Hybrid debt | $92 million |
| Mortgages | $274 million |

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| | |
|---|---|
| Commingled or pooled funds | |
| Equity | $11 million |
| Direct, separate accounts | |
| Equity | $1,559 million |
| Hybrid debt | $92 million |
| Mortgages | $274 million |
| Total real estate assets | $2,085 million |
| Equity | $1,669 million |
| Hybrid debt | $92 million |
| Mortgages | $324 million |

As of June 30, the tax-exempt equity assets of Eastdil Realty Inc. had a market value of $1.504 billion. Contributions committed but not received were $66 million.

The hybrid debt holdings had a market value of $92 million; the mortgages, $274 million.

For tax-exempt assets, the mix by property type is 60% office/commercial, 10% retail, 2% hotel/resort, 23% industrial and 5% multifamily housing.

The total property portfolio is located 12% in the North Central region; 5% Northeast; 40% South Central; 8% Southeast; 5% Mountain; and 30% Pacific.

Eastdil offers separate accounts to tax-exempt clients; it is liquidating its commingled account.

The firm does property management for 15% of the properties it owns.

Investment clients include AT&T, Missouri Employees and Chrysler.

Benjamin V. Lambert, chairman and chief executive officer, is in charge of making property investments. Donald E. Conover, vice president, is client contact.

### Richard Ellis Inc.

527 Madison Ave., New York, N.Y. 10022; (212) 355-4810

| | |
|---|---|
| Tax-exempt real estate assets | $1,310 million |
| Equity | $1,190 million |
| Hybrid debt | $120 million |
| Direct, separate accounts | |
| Equity | $1,190 million |
| Hybrid debt | $120 million |
| Total real estate assets | $3,200 million |
| Equity | $3,080 million |
| Hybrid debt | $120 million |

As of June 30, the tax-exempt equity assets of Richard Ellis Inc. had a market value of $820 million. Contributions committed but not received were $370 million.

The hybrid debt holdings had a market value of $120 million.

Of the total under management, $1.89 billion was for foreign clients, including $1.31 billion for foreign pension funds.

The asset mix by property type is 68% office/commercial, 30% retail and 2% industrial. During the coming year, Richard Ellis expects to be a buyer of office buildings, regional malls and industrial type properties, and a seller of industrial and office buildings.

The total property portfolio is located 11% in the North Central region; 43%, Northeast; 3%, South Central; 4%, Southeast; and 39%, Pacific. During the next year, the firm expects to buy properties in the Northeast, Pacific, Southeast and South Central regions and sell in the Northeast and South Central regions.

The firm offers separate accounts, and property manages 35% of its investments.

Clients include San Bernardino County and California Employees.

Christopher D. Budden, president, is in charge of making property investments. David R. Hodes, senior vice president, is client contact.

### Equitable Real Estate Investment Management

787 Seventh Ave., 46K, New York, N.Y. 10019; (212) 554-4213

| | |
|---|---|
| Tax-exempt real estate assets | $6,887 million |
| Equity | $6,365 million |
| Hybrid debt | $153 million |
| Mortgages | $369 million |
| Commingled or pooled funds | |
| Equity | $4,555 million |
| Hybrid debt | $132 million |
| Mortgages | $12 million |
| Direct, separate accounts | |
| Equity | $1,810 million |
| Hybrid debt | $21 million |
| Mortgages | $357 million |
| Total real estate assets | $26,644 million |
| Equity | $13,472 million |
| Hybrid debt | $1,721 million |
| Mortgages | $11,451 million |

As of June 30, the tax-exempt equity assets of Equitable Real Estate Investment Management Inc. had a market value of $5.738 billion. Contributions received but not invested were $405 million; contributions committed but not received were $222 million.

The hybrid debt holdings had a market value of $153 million, the mortgages, $369 million.

Of the total under management, $585 million was for foreign, non-pension clients.

For tax-exempt assets, the mix by property type is 44.1% office/commercial, 30.2% retail, 8.2% hotel/resort, 14.2% industrial and 3.3% special purpose/land.

The firm expects to be a net buyer of shopping centers, industrial and office properties and a net seller of hotels during the next year.

The total property portfolio is located 38.8% in the Northeast; 27.5%, Southeast; 13.4%, Midwest; and 20.3%, West.

Equitable offers open and closed-end separate accounts, single client separate and advisory accounts and direct investments.

The Prime Property Fund is an open-end commingled account that invests in high-quality, income-producing real property purchased for the long term. Existing, fully leased properties are emphasized, but in some cases Equitable will forward commit to acquire properties yet to be built. The fund has 229 participants and a value of $4.565 billion.

The Asset Enhancement Fund is a closed-end fund that will invest in a select group of existing, well-located, commercial properties with substantial potential for additional development through renovation and expansion. There are six participants to date and $91 million committed.

Equitable does property management for 18.5% of the properties it owns. Among the property managers it uses are Tishman Speyer, Trammell Crow, Oliver T. Carr and KRAVCO.

Investment clients include Exxon, California Employees, North American Philips and Westinghouse.

The parent company is Equitable Life Assurance Society of the United States. Subsidiaries include Equitable Agri-Business Inc., Equitable Mortgage Resources Inc. and EQK Partners.

Bruce Moulthrop, executive vice president, is in charge of making property investments. Joyce R. Frater, senior vice president, is client contact.

### F.I.A. Associates

1601 Response Road, Suite 300, Sacramento, Calif. 95815; (916) 920-4051

| | |
|---|---|
| Tax-exempt real estate assets | $2,421 million |
| Equity | $1,058 million |
| Hybrid debt | $1,206 million |
| Mortgages | $157 million |
| Commingled or pooled funds | |
| Equity | $89 million |
| Hybrid debt | $14 million |
| Direct, separate accounts | |
| Equity | $969 million |
| Hybrid debt | $1,192 billion |
| Mortgages | $157 million |
| Total real estate assets | $2,421 million |

At F.I.A. Associates, where all assets are tax exempt, the equity assets had a market value of $849 million as of June 30. Contributions committed but not received were $209 million.

The hybrid debt holdings had a market value of $830 million. Contributions committed but not received were $376 million. The market value of the mortgages was $157 million.

The mix by property type is 47.3% office/commercial; 17.5% retail; 2% hotel/resort; 8.4% mixed use; 15.2% industrial; 3% multifamily housing; 0.24% land; 6.36% income-producing land.

The total property portfolio is located 6.3% in the East; 12.7% Midwest; 31.4% South; 49.6% West.

During the next year, F.I.A. will concentrate on acquisitions.

Investment products include closed-end funds and separate accounts.

The firm's F.I.A. Profile Fund I, which has four investors and more than $101 million invested, is still open. The fund primarily invests in fully built and fully leased properties, forward commitments on substantially pre-leased properties and convertible participating mortgages.

Most will be acquired for cash, but leverage may be used by taking over an existing debt.

F.I.A. Associates does not handle property management of the properties it owns.

Investment clients include Texas Teachers, California Public Employees, Utah State and Illinois Teachers.

The parent company is MeraBank.

Stephen A. Rosenthal, vice president-acquisitions is in charge of property investments. David Bonuccelli and James Sublett, senior executive vice presidents, are client contacts.

### First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill. 60670; (312) 732-7641

| | |
|---|---|
| Tax-exempt real estate assets | $980 million |
| Equity | $980 million |
| Commingled or pooled funds | |
| Equity | $891 million |
| Direct, separate accounts | |
| Equity | $89 million |
| Total real estate assets | $1,025 million |
| Equity | $1,025 million |

As of June 30, the tax-exempt equity assets of First Chicago Investment Advisors had a market value of $873 million. Contributions committed but not received were $107 million.

Of the total under management, about $45 million was for foreign clients.

The asset mix by property type is 33% office/commercial, 24% retail, 23% industrial and 20% multifamily housing. During the coming year, the firm expects to be a net buyer of industrial, retail and residential properties.

The asset mix by location is 20% North Central, 28% Northeast, 22% South Central and 30% Pacific. First Chicago expects to be a net buyer in the Northeast and North Central regions during the coming year.

The concentration during the next year will be on property management.

First Chicago offers open- and closed-end funds and separate accounts. Funds include Real Estate Fund F, an open-end, core equity fund diversified by geography and property type; and Living Environments for an Aging America Fund II, a closed-end fund that will invest in congregate housing for the elderly.

The firm handles property management for 5% of its properties.

Investment clients include Ameritech, Hershey Foods, St.Louis County Employees and Shell Oil.

The parent company is First Chicago Corp.

David A. Schwartz, vice president, is in charge of making property investments. J. William Baker, vice president, is client contact.

### First RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221;(214) 922-6670

| | |
|---|---|
| Tax-exempt real estate assets | $566 million |
| Equity | $480 million |
| Mortgages | $86 million |
| Commingled or pooled funds | |
| Equity | $92 million |
| Mortgages | $2 million |
| Direct accounts | |
| Equity | 398 million |
| Mortgages | $84 million |
| Total real estate assets | $987 million |
| Equity | $898 million |


# *The Creation of Extraordinary Value is the Result of Extraordinary Vision*

- - the Rembrandt Philosophy

A profitable investment portfolio, like the great artist's work on canvas, is rarely the consequence of whim or chance. At Tomlin Properties, we have that extraordinary vision to create extraordinary value with exceptional returns through *17 years of investing in Predevelopment Land.*

***"Heaven forbid that I should ever see things the way they do!"***

Rembrandt worked to see what few around him saw. And he created masterpieces. At Tomlin Properties, we've created an approach that looks beyond what "conventional wisdom" might suggest. While some view land as risky business, our approach proves this is a bit short sighted. With over *eighty investments* in predevelopment land, we've seen an *average compounded annual return in excess of 40%.*

***"Secret... fiddlesticks! I start with a formula, and work to prove that it is correct."***

Don't misunderstand. When we speak of "vision" we're not referring to some nebulous "feeling" we get about a parcel of land. The Tomlin formula is based on *detailed research, intensive management and hard work.* Experience has been the cornerstone of our success. With a keen eye on the nation's prime growth markets, we begin with the parameters of a cautious investment clearly in focus: location of the land, and timing of the acquisition. Assessed correctly, these are the factors which *minimize risk* and maximize return. Time and time again our clients have enjoyed the fruits of this approach.

***"Perhaps 400 years from now, if any of my pictures are left, they will say, 'this fellow was going in the right direction'."***

Rembrandt knew that time was the ultimate test of the value of his art. Fortunately we're not looking at a 400 year waiting period, as *our average is 3.8 years.* History tells us that land has been profitable for the patient sophisticated investor. And while not all land is suitable for capital growth investments, we live in a world where predevelopment land in ideal locations is a diminishing resource. Its appreciation potential is great, while the measured risks are comparable to the most traditionally conservative portfolio components. And Tomlin investments in predevelopment land continually outperform other forms of real estate, stocks, bonds, and treasury bills. Our clients agree — *we've passed the test of time.* And the result is extraordinary value.

TOMLIN PROPERTIES, INC.
George M. Dishman, Partner
214/239-8041
5001 Spring Valley Rd., Ste. 1000E, LB10
Dallas, Texas 75244
Tlx. 735085 TOMPROP VD Fax. 7029786

Mortgages ..... $89 million

As of June 30, the tax-exempt equity assets of First RepublicBank Dallas had a market value of $480 million and the mortgages, $86 million.

For tax-exempt assets, the mix by property type is 52% office/commercial, 8% retail and 40% industrial. The firm expects to be a net buyer of industrial properties and a net seller of office properties during the coming year.

The total property portfolio is located 76% in the South Central region and 24% in the Mountain region.

During the coming year, the firm expects to be a buyer in the South Central and Mountain regions and a seller in the South Central region.

The concentration during the next year will be on property management because the firm believes it is the key to success in real estate investments.

First RepublicBank offers open-end funds, directed accounts and separate accounts. The First RepublicBank Real Estate Equity Fund, with a net asset value of about $38 million, invests in equity and participating mortgages in office, retail and industrial properties, primarily in the Southwest.

It does property management for 40% of the properties it owns.

Clients include Austin Industries, Conoco, Exxon and Cullum.

The parent company is First RepublicBank Corp.

Sam T. Kincaid II, vice president, is in charge of making property investments. David J. Pittman, senior vice president, is client contact.

### First Wachovia Bank & Trust Real Estate Fund

301 N. Main St., Winston Salem, N.C. 27150; (919) 770-4169

| | |
|---|---|
| Tax-exempt real estate assets .. | $619 million |
| Equity ..... | $619 million |
| Commingled or pooled funds | |
| Equity ..... | $407 million |
| Direct, separate accounts | |
| Equity ..... | $212 million |
| Total real estate assets ..... | $644 million |

As of June 30, the tax-exempt equity assets of First Wachovia Bank & Trust Real Estate Trust Fund had a market value of $619 million.

For tax-exempt assets, the mix by property type is 4% office/commercial, 60.4% industrial and mixed use and 35.6% land.

The total property portfolio is located 28.9% in the South; 24% Midwest; 46.7% West.

The emphasis in the coming year will be on development; First Wachovia's last two purchases have been land acquisitions, which the firm will begin to develop.

The firm does property management for all of its properties.

First Wachovia offers separate accounts, and the First Wachovia Real Estate Fund, a $407 million open-end fund combining acquisition and development.

Clients include AT&T, Amp Inc., Avon Products and Piedmont Aviation.

The parent company is First Wachovia Bank & Trust.

Robert R. Smedley, senior vice president, is in charge of making property investments. Cindy Christopher, marketing consultant, is client contact.

### John Hancock Properties

2 Copley Place, Suite 200, Boston, Mass. 02117; (617) 421-3639

| | |
|---|---|
| Tax-exempt real estate assets .. | $659 million |
| Equity ..... | $659 million |
| Commingled or pooled funds | |
| Equity ..... | $659 million |
| Total real estate assets ..... | $1,664 million |
| Equity ..... | $1,664 million |

As of June 30, the tax-exempt equity assets of John Hancock Properties Inc. had a market value of $612 million. Contributions received but not invested were $20 million; contributions committed but not received were $27 million.

For tax-exempt assets, the mix by property type is 29.9% office/commercial, 9.6% retail, 2.4% hotel/resort, 21.4% industrial, 14.2% mixed use and 22.5% multifamily housing. During the coming year, the firm expects to buy residential and office/commercial properties and to sell industrial, retail and office/commercial properties.

The total property portfolio is located 17.3% in the North Central region; 26.5% Northeast; 19.7% South Central; 10.3% Southeast; 14.2% Mountain; and 12% Pacific.

John Hancock expects to buy in the North Central, Northeast, Pacific and South Central regions and sell in the South Central, North Central and Mountain regions during the coming year.

The concentration during the next year will be on property management to maximize values of existing portfolio properties.

John Hancock offers open and closed-end commingled funds, limited partnerships and direct investments. Its open-end fund, Equity Real Estate Account (ERA) is being restructured. It does property management for 10% of the properties it owns. Investment clients include The World Bank, Detroit Retirement and Connecticut.

The parent company is John Hancock Financial Services. Its subsidiary is John Hancock Realty Services.

Kevin McGuire, president, is in charge of making property investments. Ronald L. Garner, senior real estate investment officer, is client contact.

### Heitman Advisory Corp.

180 N. LaSalle St., Chicago, Ill. 60601; (312) 855-5700

| | |
|---|---|
| Tax-exempt real estate assets . | $3,993 million |
| Equity ..... | $3,993 million |
| Commingled or pooled funds | |
| Equity ..... | $668 million |
| Direct, separate accounts | |
| Equity ..... | $3,325 million |
| Total real estate assets ..... | $4,265 million |
| Equity ..... | $4,265 million |

As of June 30, the tax-exempt equity assets of Heitman Advisory Corp. had a market value of $2.794 billion. Contributions committed but not received were $1.199 billion.

Of the total under management, $336 million was for foreign clients, of which $321 million was for foreign pension funds.

For tax-exempt assets, the mix by property type is 38% office/commercial, 26% retail, 11% industrial and 25% mixed use. For taxable accounts, Heitman uses higher leverage and might include hotels.

The firm expects to be a net buyer of regional shopping centers, office buildings and industrial parks.

The total property portfolio is located 50% in the North Central region; 11%, Northeast; 8%, South Central; 5%, Southeast; and 26%, Pacific. The firm expects to be a net buyer in each of those regions.

Heitman offers closed-end funds and separate accounts. Its two funds still accepting subscriptions are Heitman Real Estate Funds III and IV, which will purchase a geographically diversified portfolio of between eight and 12 income-producing properties, including shopping centers, office buildings and industrial parks.

Heitman handles its own property

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management for 67% of its properties; its joint venture partner provides property management for 33%.

Investment clients include AT&T, Southwestern Bell, NYNEX and Alaska Permanent.

The parent company is Heitman Financial Ltd.; subsidiaries are Heitman Financial Services Ltd. and Heitman Properties Ltd.

Norman Perlmutter, chairman of the board-Heitman Financial Ltd., is in charge of property investments. David Glickman, president-Heitman Advisory Corp., is client contact.

### JMB Institutional Realty

875 N. Michigan Ave., Chicago, Ill. 60611; (312) 915-1900

| | |
|---|---|
| Tax-exempt real estate assets | $2,293 million |
| Equity | $2,293 million |
| Commingled or pooled funds | |
| Equity | $2,277 million |
| Direct, separate accounts | |
| Equity | $16 million |
| Total real estate assets | $16,769 million |
| Equity | $16,164 million |
| Hybrid debt | $237 million |
| Mortgages | $368 million |

As of June 30, the tax-exempt equity assets of JMB institutional Realty Corp. had a market value of $1.8 billion. Contributions received but not invested were $60 million; contributions committed but not received were $433 million.

For tax-exempt assets, the mix by property type is 43% office/commercial, 56% retail and 1% multifamily housing. For taxable investors, the emphasis in prior years has been greater investment in apartments and mixed-use projects.

The firm expects to be a net buyer of retail, apartments and offices.

The concentration during the next year will be on property management because intensive property management during the holding periods is the key to successful management of commingled funds.

JMB does property management for 63% of the properties it owns.

The firm offers closed-end funds and separate accounts. JMB Group Trust IV, with a market value of $412 million, will invest in a diversified portfolio of seven to 12 strategically selected and intensively managed income properties, primarily shopping centers and office buildings.

JMB Institutional Apartment Partnership I, with a market value of $145 million, will make equity investments in eight or more apartment properties nationwide.

Investment clients include Pennsylvania Employees, Xerox, Inland Steel and Alaska Employees.

Jerome J. Claeys III, chairman, is in charge of making property investments. John S. Lillard, president, is client contact.

### Jones Lang Wootton Realty Advisors

101 E. 52nd St., New York, N.Y. 10022; (212) 688-8181

| | |
|---|---|
| Tax-exempt real estate assets | $1,000 million |
| Equity | $800 million |
| Hybrid debt | $200 million |
| Direct, separate accounts | |
| Equity | $800 million |
| Hybrid debt | 200 million |
| Total real estate assets | $1,700 million |
| Equity | $1,500 million |
| Hybrid debt | $200 million |

As of June 30, the tax-exempt equity assets of Jones Lang Wootton Realty Advisors had a market value of $400 million. Contributions received but not invested were $100 million; contributions committed but not received were $300 million.

The hybrid debt holdings had a market value of $200 million.

Of the total under management, $700 million was for foreign clients, including $350 million for foreign pension funds.

For tax-exempt assets, the mix by property type is 60% office/commercial, 20% retail, 10% hotel/resort and 10% industrial.

Taxable clients — principally offshore institutional investors — are generally interested in 100% purchases of landmark office buildings in four cities.

The firm expects to be a net buyer of industrial, shopping centers, office, hotel and multifamily properties.

The total property portfolio is located 5% in the North Central region, 60% Northeast, 10% South Central, 5% Southeast and 20% Pacific.

Jones Lang Wootton Realty expects to be a net buyer in the Northeast, Pacific and North Central regions.

The concentration during the next year will be on property management because poor space markets nationwide demand it.

The firm offers separate accounts only. It handles property management for 65% of the properties it owns.

Clients include U S WEST, Pacific Telesis, Pennsylvania Public Schools.

John A. Weisz, Stephen J. Furnary and Frank L. Sullivan Jr., principals, are in charge of making property investments. Mr. Weisz is client contact.

**Top 10 real estate managers ranked by tax-exempt assets in real estate equity**

| Firm | $ millions |
|---|---|
| Equitable Real Estate Investment | 6,365 |
| Prudential Realty Group | 5,476 |
| Heitman Advisory | 3,993 |
| Copley Real Estate Advisors | 3,870 |
| RREEF | 2,984 |
| Aetna Life & Casualty | 2,937 |
| Corporate Property Investors | 2,400 |
| JMB Institutional Realty | 2,293 |
| LaSalle Advisors | 1,904 |
| Eastdil Realty | 1,570 |
| Total | 33,792 |

### Karsten Realty Advisors

12121 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90025; (213) 826-0035

| | |
|---|---|
| Tax-exempt real estate assets | $586 million |
| Equity | $373 million |
| Hybrid debt | $67 million |
| Mortgages | $146 million |
| Commingled or pooled funds | |
| Equity | $23 million |
| Hybrid debt | $18 million |
| Direct, separate accounts | |
| Equity | $350 million |
| Hybrid debt | $49 million |
| Mortgages | $146 million |
| Total real estate assets | $854 million |
| Equity | $641 million |
| Hybrid debt | $67 million |
| Mortgages | $146 million |

As of June 30, the tax-exempt equity assets of Karsten Realty Advisors had a market value of $373 million; the hybrid debt, $67 million; mortgages, $146 million.

For tax-exempt assets, the mix by property type is 48% office/commercial, 15% retail, 16% hotel/resort, 13% industrial, 5% land and 3% special use. Karsten expects to be a net buyer and seller of office, retail, industrial/research and development and special use properties.

The total portfolio's mix by location is 1% North Central, 21% South Central, 36% Southeast, 2% Mountain and 40% Pacific. The firm expects to be a buyer in the Pacific, South Central and Mountain regions, and a seller in the South Central and Southeast regions.

Its emphasis during the next year will be on property management in preparation for property dispositions.

Karsten Realty Advisors offers direct separate accounts.

The firm property manages 50% of the properties it owns.

Investment clients include Ohio Teachers, Nevada Employees, LTV and Lockheed.

First Interstate Bancorp is the parent company.

A. Redmond Doms Jr., managing principal, is in charge of making property investments. John M. Lundsten and Hugh G. Hilton, principals, are client contacts.

### Kennedy Associates Real Estate Counsel Inc.

2400 Financial Center Building, Seattle, Wash. 98161; (206) 623-4739

| | |
|---|---|
| Tax-exempt real estate assets | $718 million |
| Equity | $411 million |
| Hybrid debt | $264 million |
| Mortgages | $43 million |
| Commingled or pooled funds | |
| Equity | $241 million |
| Hybrid debt | $143 million |
| Direct, separate accounts | |
| Equity | $170 million |
| Hybrid debt | $121 million |
| Mortgages | $43 million |
| Total real estate assets | $718 million |

As of June 30, the tax-exempt equity assets of Kennedy Associates Real Estate Counsel Inc. had a market value of $293 million. Contributions committed but not received were $118 million.

The hybrid debt holdings had a market value of $180 million. Contributions committed but not received were $84 million. The market value of the mortgages was $43 million.

The asset mix by property type is 52% office/commercial, 7% retail, 1% hotel/resort, 1% mixed use, 13% industrial and 26% business parks.

The firm expects to be a net buyer of industrial/distribution, service center, office and suburban properties in the next year.

The total property portfolio is located 42% in the West; 8%, South; 33%, Midwest; and 17%, East.

The concentration during the next year will be on acquisition.

Kennedy Associates offers the Multi-Employer Property Trust, an open-end fund with $383 million in hand; $149 million committed; and $234 million invested. MEPT utilizes equity ownership, hybrid debt/equity and sale/leasebacks. The firm also offers direct separate accounts and real estate investment consulting.

Clients include Alaska Permanent, Boeing, International Brotherhood of Painters and Allied Trades Union.

Jim C. Snyder, president, is in charge of making property investments and is the client contact.

### LaSalle Advisors Ltd.

11 S. LaSalle St., Chicago, Ill. 60603; (312) 782-5800

| | |
|---|---|
| Tax-exempt real estate assets | $1,903 million |
| Equity | $1,903 million |
| Commingled or pooled funds | |
| Equity | $1,626 million |
| Direct, separate accounts | |
| Equity | $277 million |
| Total real estate assets | $1,903 million |

All of LaSalle Advisors Ltd.'s assets are tax exempt and are invested in equity real estate.

As of June 30, the assets had a market value of $1.441 billion. Contributions received but not invested were $47 million; contributions committed but not received were $415 million.

The asset mix by property type is 57% office/commercial; 30% retail; and 13% industrial.

During the next year, LaSalle expects to be a net buyer of industrial, office and retail properties.

The total property portfolio is 33% in the North Central region; 18% Northeast; 9% South Central; 24% Southeast; and 16% Pacific.

It plans to be a net buyer in the Northeast, Pacific, Southeast, North Central, Mountain and South Central regions.

The firm offers LaSalle Fund III, a closed-end fund that will purchase larger, high-quality office, shopping and industrial properties. It also does separate account management.

The firm does property management for 95% of the property it owns. Of its property management business, 40% is for outside clients.

Investment clients include Illinois Municipal, Public Service Electric & Gas, Bell Atlantic and Pacific Telesis.

The parent company is LaSalle Partners Ltd.

Kenneth M. Campia, president, is in charge of property investments. Client contacts are vice presidents Christopher J. Burke (Midwest), Hugh E. Reams Jr. (Southeast), Steven L. Wagner (East) and William N. Thompson (West).

### Latimer & Buck Inc.

121 S. Broad St., Philadelphia, Pa. 19107; (215) 985-3954

| | |
|---|---|
| Tax-exempt real estate assets | $1,243 million |
| Hybrid debt | $597 million |
| Mortgages | $646 million |
| Direct, separate accounts | |
| Hybrid debt | $597 million |
| Mortgages | $646 million |
| Total real estate assets | $1,243 million |

As of June 30, the tax-exempt hybrid


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debt holdings of Latimer & Buck Inc. had a market value of $551 million. Contributions committed but not received were $46 million. The market value of the mortgages was $608 million. Contributions committed but not received were $37 million.

The mix by property type is 43% office/commercial, 4% retail, 3% hotel/resort, 16% multifamily housing, 7% industrial and 27% single-family residential.

The property mix by location is 10% in the North Central region; 78%, Northeast; 3%, South Central; 5%, Southeast; and 4%, Pacific.

The concentration during the next year will be on acquisition of mortgages.

Latimer & Buck offers direct, separate accounts.

Clients include Pennsylvania School Employees and Pennsylvania State Employees.

The parent company is Fidelity Bank.

Richard J. Humphreys, vice president, is in charge of making property investments and is the client contact.

### Lehndorff & Babson Real Estate Counsel

2501 Cedar Springs, Dallas, Texas 75201; (214) 855-5600

| | |
|---|---|
| Tax-exempt real estate assets | $845 million |
| Equity | $845 million |
| Commingled or pooled funds | |
| Equity | $75 million |
| Direct, separate accounts | |
| Equity | $770 million |
| Total real estate assets | $1,962 million |
| Equity | $1,962 million |

As of June 30, the tax-exempt equity assets of Lehndorff & Babson Real Estate Counsel had a market value of $503 million. Contributions received but not invested were $17 million; contributions committed but not received were $325 million.

Of the total under management, $1.095 billion was for foreign clients, including $179 million for foreign pension funds.

For tax-exempt assets, the mix by property type is 56% office/commercial, 40% retail and 4% mixed use.

The firm expects to be a net buyer of retail, office and industrial properties.

The total property portfolio is located 10% in the Northeast; 30%, South Central; 22%, Southeast; 10%, Mountain; and 28%, Pacific.

Lehndorff & Babson expects to be a net buyer in the West and the East.

The concentration during the next year will be on acquisition because of the attractive opportunities.

Lehndroff & Babson offers closed-end funds and direct separate accounts. The Lehndorff & Babson Property Fund III is a closed-end group trust that will invest in scarce, built and leased properties, typically shopping centers or office buildings, that have the opportunity for enhancement of value. The Lehndorff & Babson Retail Property Fund is a closed-end limited partnership that will invest in regional malls and other substantial retail properties in prominent U.S. metropolitan areas, where land is adequate to support expansion.

It does property management for 90% of the properties it owns.

Investment clients include Ameritech, California Teachers, Eastman Kodak and United Technologies.

M. Thomas Lardner, chairman, general manager and chief investment officer, is in charge of making property investments. James S. White, executive vice president, is client contact.

### The Lomas & Nettleton Advisory Group Inc.

2001 Bryan Tower, Suite 3900, Dallas, Texas 75201; (214) 746-7111

| | |
|---|---|
| Tax-exempt real estate assets | $664 million |
| Hybrid debt | $501 million |
| Mortgages | $163 million |
| Commingled or pooled funds | |
| Hybrid debt | $54 million |
| Direct, separate accounts | |
| Hybrid debt | $447 million |
| Mortgages | $163 million |
| Total real estate assets | $664 million |

As of June 30, the hybrid debt holdings of The Lomas & Nettleton Advisory Group Inc. had a market value of $323 million. Contributions received but not invested were $3 million; contributions committed but not received were $175 million.

The market value of the mortgages was $163 million.

The mix by property type is 68.68% office/commercial, 7.9% retail and 23.42% industrial.

The firm expects to be a net buyer of office and apartment properties.

The total property portfolio is located 22.66% in the North Central region; 63.82% South Central; 0.78% Southeast; 7.11% Mountain; and 5.63% non-U.S.

Lomas & Nettleton expects to be a net buyer in the North Central and Northeast regions.

The concentration during the next year will be on financing because of the favorable market.

Lomas & Nettleton offers closed-end funds, separate account management and REITs.

Clients include Texas Teachers, city of Boston, Leland Stanford Jr. University and Barnett Banks.

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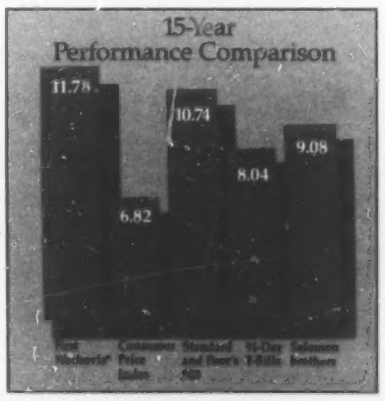


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The parent company is Lomas & Nettleton Co. Its subsidiaries are Lomas Mortgage Corp., Lomas & Nettleton Mortgage Investors and L&N Housing Corp.

David A. Ridley, executive vice president, is in charge of making property investments and is client contact.

### McMahan Real Estate Services Inc.

201 California St., Suite 400, San Francisco, Calif. 94111; (415) 433-7770

| | |
|---|---|
| Tax-exempt real estate assets | $383 million |
| Equity | $301 million |
| Hybrid debt | $82 million |
| Commingled or pooled funds | |
| Equity | $50 million |
| Hybrid debt | $9 million |
| Direct, separate accounts | |
| Equity | $251 million |
| Hybrid debt | $73 million |
| Total real estate assets | $400 million |
| Equity | $318 million |
| Hybrid debt | $82 million |

As of June 30, the tax-exempt equity assets of McMahan Real Estate Services, Inc. had a market value of $128 million. Contributions committed but not received were $173 million.

The hybrid debt holdings had a market value of $36 million. Contributions committed but not received were $46 million.

Of the total under management, $17 million was for foreign clients.

For tax-exempt assets, the mix by property type is 62% office/commercial; 27% retail; and 11% industrial.

The firm expects to be a net buyer of retail, office and industrial properties.

The total property portfolio is located 17% South Central; 10% Mountain; and 73% Pacific. The firm expects to be a net buyer in all three regions.

The concentration during the next year will be on property management because of difficulty in managing in soft markets.

McMahan Real Estate Services offers separately managed accounts and closed-end pooled funds.

McMahan Equity Real Estate Fund-II (MEREF-II) has $22 million in commitments and is accepting subscriptions. The fund acquires equity and quasi-equity interests in well-diversified portfolios of high-quality, income-producing properties.

McMahan does property management for 20% of the properties it owns.

Investment clients include Southwestern Bell, Contra Costa Employees and Western Airlines Pilots.

The parent company is McMahan Financial Services Inc.

Steven M. Brabant, senior vice president, is in charge of making property investments. Frank C. Harding Jr. and Jean C. Hurley, vice presidents, are client contacts.

### McMorgan & Co.

201 Spear St., No. 1700, San Francisco, Calif. 94105; (415) 777-9300

| | |
|---|---|
| Tax-exempt real estate assets | $1,300 million |
| Equity | $300 million |
| Mortgages | $1,000 million |
| Direct, separate accounts | |
| Equity | $300 million |
| Mortgages | $1,000 million |
| Total real estate assets | $1,300 million |

As of June 30, the tax-exempt equity assets of McMorgan & Co. had a market value of $300 million; mortgages, $1 billion.

The mix by property type is 10% office/commercial, 10% retail, 1% hotel/resort, 1% mixed use, 5% industrial, 5% multifamily housing and 68% residential.

The firm expects to be a net buyer of office, industrial and retail properties.

The total property portfolio is located in the Pacific region. McMorgan & Co. expects to be a net buyer in the Pacific, Mountain and Southeast regions.

The concentration during the next year will be on acquisition because of the excellent opportunities for prime properties.

McMorgan & Co. offers separate and direct accounts.

Michael T. Fry, executive vice president, is in charge of making property investments. William O. Sumner is client contact.

### Mellon Real Estate Investment Management

551 Madison Ave., New York, N.Y. 10022; (212) 702-4040

| | |
|---|---|
| Tax-exempt real estate assets | $1,100 million |
| Equity | $500 million |
| Hybrid debt | $370 million |
| Mortgages | $230 million |
| Direct, separate accounts | |
| Equity | $500 million |
| Hybrid debt | $370 million |
| Mortgages | $230 million |
| Total real estate assets | $1,100 million |

As of June 30, the tax-exempt equity assets of Mellon Real Estate Investment Management Corp. had a market value of $413 million. Contributions committed but not received were $87 million.

The hybrid debt holdings had a market value of $298 million; contributions committed but not received were $72 million. The market value of the mortgages was $210 million; contributions committed but not received were $20 million.

Of the total under management, $31 million was for foreign clients.

For tax-exempt assets, the mix by property type is 64.15% office/commercial, 5.68% retail, 26.42% industrial and 3.77% mixed use.

The firm expects to be a net buyer of shopping centers, research/development facilities and office buildings.

The total property portfolio is located 20.3% in the East; 17.1% South; 36.9% Midwest; and 25.7% West. The firm expects to be a net buyer in the Northeast and Midwest and a net seller in California because of the cost of earthquake insurance.

The concentration during the next year will be on acquisition and property management, the latter because overbuilt markets have forced emphasis on property/asset management.

The firm offers direct separate accounts.

It does property management for 17.55% of the single financial properties it owns.

Investment clients include Westinghouse, Bell Atlantic and Detroit Retirement System.

The parent company is Mellon Bank Corp. A subsidiary is Mellon Participating Mortgage Trust.

Arlen R. Dahlquist, senior vice president, is in charge of making property investments. Karen E. Shewer, vice president, is client contact.

### L.J. Melody & Co.

5847 San Felipe, Suite 4400, Houston, Texas 77057; (713) 787-1900

| | |
|---|---|
| Tax-exempt real estate assets | $815 million |
| Hybrid debt | $483 million |
| Mortgages | $332 million |
| Direct, separate accounts | |
| Hybrid debt | $483 million |
| Mortgages | $332 million |
| Total real estate assets | $2,254 million |
| Hybrid debt | $802 million |
| Mortgages | $1,452 million |

As of June 30, the hybrid debt holdings of L.J. Melody & Co. had a market value of $368 million. Contributions committed but not received were $115 million. The market value of the mortgages was $290 million. Contributions committed but not received were $42 million.

For tax-exempt assets, the mix by property type is 46% office/commercial, 34% retail, 3% mixed use, 7% industrial and 10% multifamily housing.

For taxable assets, the firm emphasizes hotel investments.

The firm expects to be a net buyer of multifamily, industrial and retail properties.

The total property portfolio is located 3.5% in the North Central region; 5.5% Northeast; 56% South Central; 10% Southeast; 10% Mountain; and 15% Pacific.

L.J. Melody expects to be a net buyer in the Pacific, Northeast, South Central and Southeast regions.

The concentration during the next year will be on acquisition because there are regions with certain property types that possess attractive opportunities.

The firm offers separate accounts.

Clients include Texas Teachers.

Lawrence J. Melody, president, is in charge of making property investments. Robert D. Barkley, vice president, is client contact.

### Top 10 real estate managers ranked by tax-exempt assets in mortgages

| Firm | $ millions |
|---|---|
| McMorgan | 1,000 |
| Latimer & Buck | 646 |
| Equitable Real Estate Investment | 369 |
| August-Am Cal Advisors | 355 |
| Wells Fargo Realty Advisors | 347 |
| L.J. Melody | 332 |
| Union Labor Life Insurance | 324 |
| Scudder Realty Advisors | 293 |
| Eastdil Realty | 274 |
| Fayez Sarofim | 253 |
| Total | 4,193 |

### Metropolitan Life Insurance

1 Madison Ave., New York, N.Y. 10010; (212) 578-8637

| | |
|---|---|
| Tax-exempt real estate assets | $865 million |
| Equity | $599 million |
| Mortgages | $66 million |
| Commingled or pooled funds | |
| Equity | $574 million |
| Mortgages | $66 million |
| Direct, separate accounts | |
| Equity | $25 million |
| Total real estate assets | $19,200 million |
| Equity | $6,500 million |
| Mortgages | $12,700 million |

As of June 30, the tax-exempt equity assets of Metropolitan Life Insurance Co. had a market value of $534 million. Contributions received but not invested were $45 million; contributions committed but not received were $20 million.

The market value of the mortgages was $66 million.

For tax-exempt assets, the mix by property type is 54% office/commercial; 19% retail; 4% hotel/resort; 1% mixed use; 10% industrial; 1% land; and 11% research and development.

The firm expects to be a net buyer of retail, office, apartment and warehouse properties.

The total property portfolio is located 18% in the East; 19% Central; 15% South; 11% Southeast; 31% West; 6% Southwest.

Metropolitan Life expects to be a net buyer in the Central, Southeast and East regions.

The concentration during the next year will be on property management first because plans to recognize short-term profits, the firm plans to improve existing properties. The firm plans to concentrate on acquisitions second because many good investment opportunities are available.

Metropolitan Life offers open- and closed-end funds, separate accounts and guaranteed real estate contracts.

Account RE, an open-end fund, has $240 million in assets. It invests in high-quality existing and leased properties of $30 million or more, with an emphasis on R&D/industrial, regional malls and office buildings. Tower Fund, an open-end fund with $167 million, invests in wholly owned properties of $5 million to $15 million. Purchases are concentrated on fully built and leased properties.

Closed-End III, which is open for subscription, has $20 million committed. The Guaranteed Real Estate Contract, which is designed for non-ERISA plans, requires a minimum investment of $500,000; subscriptions are still open.

Investment clients include American Can, Crown Zellerbach, IT&T and M&T Chemicals.

Subsidiaries are Metmor Financial, Cross & Brown, Century 21, Met First Financial and Farmers National.

Principals are in charge of making property investments. Bruce Kosakowski, national director, is client contact.

### MIG Realty Advisors Inc., Mortgage Investors Group

1645 Palm Beach Lakes Blvd., Suite 600, West Palm Beach, Fla. 33401; (305) 686-1800

| | |
|---|---|
| Tax-exempt real estate assets | $439 million |
| Equity | $186 million |
| Hybrid debt | $128 million |
| Mortgages | $125 million |
| Commingled or pooled funds | |
| Equity | $186 million |
| Hybrid debt | $3 million |

1986 16.67%*
Three years 17.20%*
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| | |
|---|---|
| Direct, separate accounts | |
| Hybrid debt | $125 million |
| Mortgages | $125 million |
| Total real estate assets | $439 million |

As of June 30, the tax-exempt equity assets of MIG Advisors Inc., Mortgage Investors Group Ltd., had a market value of $90 million. Contributions received but not invested were $15 million; contributions committed but not received were $81 million.

The hybrid debt holdings had a market value of $89 million. Contributions committed but not received were $39 million. The market value of the mortgages was $47 million. Contributions committed but not received were $78 million.

The mix by property type is 38% office/commercial; 37% retail; 16% industrial; and 9% multifamily housing.

The firm expects to be a buyer of retail, industrial, multifamily and office/commercial properties and a seller of retail and industrial properties.

The mix by location is 29% in the North Central region; 5% Northeast; 1% South Central; 53% Southeast; 1% Mountain; and 11% Pacific. MIG expects to be a buyer in the Northeast, Southeast, Mountain and Pacific regions and a seller in the Northeast and Southeast.

The concentration during the next year will be on acquisition.

MIG offers direct investments and closed-end funds. Mortgage Investors Fund II Limited Partnership has $71.9 million committed and $1.2 million in assets. It will make equity and participating mortgage investments.

The firm does not handle property management.

Investment clients include the Detroit Policemen and Firemen, City of Detroit, Oakland County Employees and City of Philadelphia.

Larry E. Wright, executive vice president, is in charge of making property investments. Edwin B. Wayman, president, is client contact.

### J.P. Morgan Investment Management Inc.

522 Fifth Ave., New York, N.Y. 10036; (212) 837-1255

| | |
|---|---|
| Tax-exempt real estate assets | $1,353 million |
| Equity | $611 million |
| Hybrid debt | $742 million |
| Commingled or pooled funds | |
| Equity | $611 million |
| Hybrid debt | $619 million |
| Direct, separate accounts | |
| Hybrid debt | $123 million |
| Total real estate assets | $1,743 million |
| Equity | $757 million |
| Hybrid debt | $841 million |
| Other | $145 million |

As of June 30, the tax-exempt equity assets of J.P. Morgan Investment Management Inc. had a market value of $215 million. Contributions received but not invested were $188 million; contributions committed but not received were $208 million. The hybrid debt holdings had a market value of $742 million.

Of the total under management, $390 million was for foreign clients.

For tax-exempt assets, the mix by property type is 51% office/commercial, 39% retail, 2% hotel/resort and 8% industrial.

It expects to be net buyers of industrial, office and retail properties.

The total property portfolio is located 14% in the North Central region; 59% Northeast; 7% South Central; 17% Southeast; 2% Mountain; 1% Pacific states.

J.P. Morgan expects to be a net buyer nationwide.

The concentration during the next year will be on acquisition and property management.

J.P. Morgan offers an open-end real estate fund and direct separate accounts. The Real Estate Fund has a net asset value of $1.021 billion, with $833 million invested and commitments of $208 million. The fund primarily invests in urban and suburban office buildings, regional shopping centers and industrial/research and development buildings. It also invests in developmental properties, renovation and acquisition of existing properties.

The parent company is J.P. Morgan Inc.

Timothy J. Heise, managing director, is in charge of making property investments and is client contact.

### NCNB National Bank

1 NCNB Plaza, Charlotte, N.C. 28255;(704) 374-8405

| | |
|---|---|
| Tax-exempt real estate assets | $562 million |
| Equity | $372 million |
| Hybrid debt | $111 million |
| Cash | $79 million |
| Commingled or pooled funds | |
| Equity | $164 million |
| Hybrid debt | $99 million |
| Cash | $67 million |
| Direct, separate accounts | |
| Equity | $208 million |
| Hybrid debt | $12 million |
| Cash | $12 million |
| Total real estate assets | $762 million |
| Equity | $572 million |
| Hybrid debt | $111 million |
| Cash | $79 million |

As of June 30, the tax-exempt equity assets of NCNB National Bank had a market value of $372 million; the hybrid debt, $111 million; and mortgages, $79 million.

For tax-exempt assets, the mix by property type is 10% office/commer-

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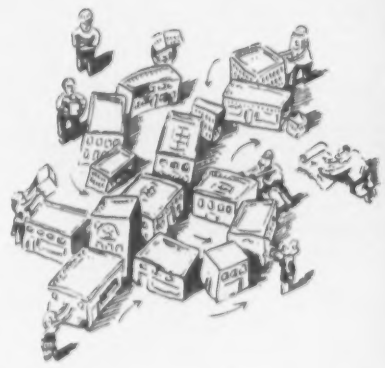

National Property Advisors

Balcor Institutional Realty Advisors: Portfolio Strategies

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The Balcor Company recently arranged an all-cash purchase of the 1275 K Street office building in the Franklin Park district of Washington, D.C., as a joint venture between two of its investment partnerships.

This submarket is on the fringe of the downtown office market and investments in this area have generally been considered pioneering. Balcor assessed the risk and potential return, analyzed the forces at work in the area and concluded that this building could meet the objectives of its investors.

The experience and expertise of Balcor in analyzing and placing real estate investments is available directly to institutional investors through Balcor Institutional Realty Advisors, Inc.

For more information on *Balcor Institutional Realty Advisors, Inc.*, and how we may be able to help fine-tune your real estate investment policies and guidelines, call John West, President, at 312/676-6980.

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Balcor

Balcor Institutional Realty Advisors, Inc. 4849 Golf Road Skokie, Illinois 60077

cial, 29% industrial, 6% multifamily housing, 41% land. Another 14% of assets are in cash.

The firm expects to be a net buyer of office/business park properties.

The total property portfolio is located 96% in the Southeast and 4% outside the United States.

NCNB expects to be a net buyer in the Southeast during the coming year.

The concentration during the next year will be on acquisition/development due to above average investment opportunities in the Southeast.

NCNB offers open- and closed-end funds and separate accounts. NCNB Real Estate Fund, with $301 million, is an open-end fund that buys income-producing property and development land in the Southeast.

The firm hires Charter Properties, Carolantic Realty and Adams/Cates for property management.

Investment clients include Ohio Schools, Volvo-White, Publix and TWA.

The parent company is NCNB Corp. Floyd T. Boyce, senior vice president, is in charge of making property investments. Mark S. Coltrin, vice president, is client contact.

### J.W. O'Connor & Co. Inc.

200 Park Ave., New York, N.Y. 10166; (212) 687-7420

| | |
|---|---|
| Tax-exempt real estate assets | $683 million |
| Equity | $604 million |
| Hybrid debt | $79 million |
| Commingled or pooled funds | |
| Equity | $260 million |
| Direct, separate accounts | |
| Equity | $344 million |
| Hybrid debt | $79 million |
| Total real estate assets | $743 million |
| Equity | $664 million |
| Hybrid debt | $79 million |

As of June 30, the tax-exempt equity assets of J.W. O'Connor & Co. Inc. had a market value of $300 million. Contributions committed but not received were $304 million.

The hybrid debt holdings had a market value of $79 million.

Of the total under management, $14 million was for foreign pension funds.

The mix by property type is 10% office/commercial, 75% retail and 15% industrial.

The firm expects to be a net buyer of regional shopping centers, office and industrial properties.

The mix by region is 40% North Central; 25% South Central; and 35% Southeast.

The concentration during the next year will be on property management because relative yields on expansions and renovations are attractive when compared with acquisitions.

J.W. O'Connor offers closed-end funds and direct separate accounts to tax-exempt clients.

It does property management for 50% of the properties it owns.

Investment clients include AT&T and Kansas Employees.

Its subsidiaries are O'Connor Realty Advisors and O'Connor Management Inc.

J.W. O'Connor Jr., chairman of the board and president, is in charge of making property investments. Nancy I. Lashine, vice president, is client contact.

### The Phoenix

1 American Row, Hartford, Conn. 06115; (203) 275-5658

| | |
|---|---|
| Tax-exempt real estate assets | $472 million |
| Equity | $123 million |
| Hybrid debt | $131 million |
| Mortgages | $218 million |
| Commingled or pooled funds | |
| Equity | $123 million |
| Hybrid debt | $131 million |
| Direct, separate accounts | |
| Mortgages | $218 million |
| Total real estate assets | $2,080 million |
| Equity | $406 million |
| Hybrid debt | $216 million |
| Mortgages | $1,428 million |
| Cash | $30 million |

As of June 30, the tax-exempt equity assets of The Phoenix had a market value of $98 million. Contributions received but not invested were $25 million.

The hybrid debt holdings had a market value of $131 million, and mortgages, $218 million.

For tax-exempt assets, the mix by property type is 50% office/commercial; 11% retail; 18% industrial; and 21% multifamily housing.

The firm expects to be a net buyer of office/industrial, retail, residential and office. Properties that have matured to the point where sales value has reached expectations will be sold.

The total property portfolio is located 30% in the North Central region; 3% Northeast; 10% South Central; 26% Southeast; and 31% Pacific.

The concentration during the next year will be on acquisition because new cash will be invested.

The Phoenix offers an open-end real estate account (RESA), which invests in developmental properties and has a net value of $207 million; a closed-end real estate account (CEREA I), which invests in developmental properties and has $30 million committed; and individual separate accounts.

Investment clients include Armstrong Rubber, Virginia, Goya Foods and Connecticut.

The parent company is Phoenix Mutual Life Insurance Co. Its subsidiaries are Phoenix Founders and Phoenix Realty Management Inc.

Teresa A. Clements and Charles W. McMullin are in charge of making property investments. Kathy Addis is client contact.

### PMRealty Advisors Inc.

800 Newport Center Drive, Suite 300, Newport Beach, Calif. 92660; (714) 721-5000

| | |
|---|---|
| Tax-exempt real estate assets | $335 million |
| Equity | $335 million |
| Commingled or pooled funds | |
| Equity | $135 million |
| Direct, separate accounts | |
| Equity | $200 million |
| Total real estate assets | $661 million |
| Equity | 661 million |

As of June 30, the tax-exempt equity assets of PMRealty Advisors Inc. had a market value of $154 million. Contributions received but not invested were $9 million; contributions committed but not received were $172 million.

For tax-exempt assets, the mix by property type is 29% office/commercial, 30% retail and 41% industrial.

The firm expects to be a net buyer of neighborhood shopping centers and multitenant industrial/distribution facilities.

The concentration during the next year will be on acquisition to complete portfolios for some funds and property management.

PMRealty offers closed-end funds and individually managed accounts. PMRA III, a closed-end fund, has $27 million so far. It will invest in retail and industrial properties in high-growth corridors of major U.S. metropolitan areas.

The firm does property management for 50% of the properties it owns. It hires Coldwell Banker, CBS Property, Centra Group, Collins and R.J.Hallissey for other property management.

Investment clients include Nevada Employees, Hewlett-Packard, Kaiser Aluminum & Chemical and Boise Cascade.

The parent company is Pacific Mutual Life Insurance Co.

James G. McWalters, managing director, is in charge of making property investments. Pete Hammer, managing director, is client contact.

### Property Capital Associates

200 Clarendon St., Boston, Mass. 02116; (617) 536-8600

| | |
|---|---|
| Tax-exempt real estate assets | $744 million |
| Equity | $744 million |
| Commingled or pooled funds | |
| Equity | $659 million |
| Direct, separate accounts | |
| Equity | $85 million |
| Total real estate assets | $744 million |

As of June 30, the equity assets of Property Capital Associates had a market value of $599 million. Contributions committed but not received were $185 million.

Of the total under management, $15 million was for foreign clients; $10 million of that for foreign pension funds.

The mix by property type is 36% office/commercial; 17% retail; 27% hotel/resort; 7% industrial; and 13% multifamily housing.

The mix by geographical region is 40% North Central; 20% Northeast; 5% South Central; 5% Southeast; 10% Mountain; and 20% Pacific.

The concentration during the next year will be on acquisition because of difficulty in finding properties that meet the investment criteria.

The firm offers closed-end funds, separate account management and real estate investment trusts.

Outside property management is handled by joint venture-developer partners.

Investment clients include Allied Signal, Eastman Kodak, Harvard University and The World Bank.

Anthony D. Fox, director, is in charge of making property investments. Thomas J. Mizo, vice president, is client contact.

### The Prudential Realty Group

3 Prudential Plaza, Newark, N.J. 07101; (201) 877-7544

| | |
|---|---|
| Tax-exempt real estate assets | $5,709 million |
| Equity | $5,476 million |
| Mortgages | $233 million |
| Commingled or pooled funds | |
| Equity | $5,476 million |
| Mortgages | $233 million |
| Total real estate assets | $33,937 million |
| Equity | $9,601 million |
| Hybrid debt | $5,293 million |
| Mortgages | $19,043 million |

As of June 30, the tax-exempt equity assets of The Prudential Realty Group had a market value of $5,333 million. Contributions committed but not received were $143 million.

The market value of the mortgages was $156 million. Contributions received but not invested were $77 million.

Of the total under management, $374 million was for foreign clients.

For tax-exempt assets, the mix by property type is 51.9% office/commercial, 17.1% retail, 8.4% hotel/resort, 15.8% industrial, 4.8% multifamily housing and 2% land and agriculture.

For taxable assets, there is a higher percentage of agricultural properties and more property development.

The general account portfolio is located 23.5% in the East; 20.8% Midwest; 21.1% South; 31.8% West; and 2.8% Canada. The separate account portfolio is located 32.7% in the East; 14.9% Midwest; 18.7% South; and 33.7% West.

The Prudential Realty Group, through its marketing partner, Prudential Asset management Co., offers the $4.4 billion PRISA, $459 million PRISA II and $214 million PRISA III open-end real estate separate accounts, and the $82 million PRIMOR and $75 million MORISA open-end participating mortgage separate accounts. The $77 million Union Mortgage account is the newest open-end separate account, which invests in loans on properties built or improved with union labor.

Direct investment in properties also is offered through the Realty Group.

Prudential does property management for 7% of the properties it owns for the general account and 3% for the separate account; Property Management Systems, LaSalle Property Management and Rubloff Property Management are frequently used to manage the remaining properties.

Clients include Campbell Soup, Exxon, Lenox and Sun Co.

The parent company is Prudential Insurance Co. of America. Its subsidiaries include Prudential Realty Advisors Inc. and The Prudential Property Co.

Claude Zinngrabe, executive vice president, is in charge of making property investments. Christine N. Brownlie, director, Prudential Asset Management Co., is client contact.

### PSI Institutional Realty

1015 Grandview Ave., Glendale, Calif. 91201; (818) 244-8080

| | |
|---|---|
| Tax-exempt real estate assets | $555 million |
| Equity | $555 million |
| Commingled or pooled funds | |
| Equity | $486 million |
| Direct, separate accounts | |
| Equity | $69 million |
| Total real estate assets | $2,200 million |
| Equity | $2,200 million |

As of June 30, the tax-exempt equity assets of PSI Institutional Realty, a division of Public Storage Inc., had a market value of $380 million. Contributions received but not invested were $92 million; contributions committed but not received were $83 million.

Of the total under management, $182 million was for foreign clients.

All tax-exempt assets are in mini-warehouses. Taxable assets are invested in mini-warehouses and the development of business parks.

The firm expects to be a net buyer of mini-warehouses and business parks.

The total property portfolio is located 13% in the North Central region; 9% Northeast; 16% South Central; 17% Southeast; 6% Mountain; 37% Pacific; and 2% non-U.S properties.

PSI expects to be a net buyer in the Northeast, Pacific, North Central and Southeast regions.

The concentration during the next year will be on property management because the firm believes its system, which operates facilities in a standard fashion and employs innovative techniques, is the key to providing superior returns.

PSI offers closed-end funds and

**Top 10 real estate managers ranked by tax-exempt assets in hybrid debt**

| Firm | $ millions |
|---|---|
| Boston Co. Real Estate Counsel | 1,818 |
| Balcor Institutional Realty Advisors | 1,732 |
| Aldrich, Eastman & Waltch | 1,535 |
| F.I.A. Associates | 1,206 |
| Aetna Life & Casualty | 1,091 |
| J.P. Morgan Investment Mgmt. | 742 |
| Alex. Brown Realty Advisors | 612 |
| Latimer & Buck | 597 |
| Lomas & Nettleton Advisory | 501 |
| L.J. Melody | 483 |
| Total | 10,317 |

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separate accounts.

It does property management for all of the properties it owns.

Investment clients include Ameritech, Connecticut, GTE and Hughes Aircraft.

Public Storage Management Inc. is a subsidiary.

Hugh Horne, president, Public Storage Development Co., is in charge of making property investments. Nori Gerardo, senior vice president, is client contact.

## RREEF

650 California St., Suite 1800, San Francisco, Calif. 94108; (415) 781-3300

| | |
|---|---|
| Tax-exempt real estate assets | $2,984 million |
| Equity | $2,984 million |
| Commingled or pooled funds | |
| Equity | $2,784 million |
| Direct, separate accounts | |
| Equity | $200 million |
| Total real estate assets | 2,984 million |

RREEF has all tax-exempt equity assets. As of June 30, the market value of those assets was $2.464 billion. Contributions received but not invested were $131 million; contributions committed but not received were $389 million.

Its property type mix is 40% office/commercial, 33% retail and 27% industrial.

Its property is 19% in the North Central region; 18%, Northeast; 15%, South Central; 4% Southeast; 7%, Mountain; and 37%, Pacific.

RREEF offers closed-end funds and separate accounts in completed and substantially leased high-quality, well-located and well-designed properties.

Funds still open are RREEF USA-IV, which will purchase high-quality retail, office and industrial properties for $20 million to $100 million in major metropolitan areas; RREEF West-VII, which will purchase retail, office and industrial properties for $2 million to less than $20 million in selected metropolitan areas of the West; and RREEF Apartment Fund-I, which will purchase a geographically diversified portfolio of high-quality apartment buildings in major metropolitan areas.

RREEF handles property management for 95% of the properties it owns.

Clients include IBM, AT&T, Connecticut and Illinois State Universities.

Stainslaw Maliszewski and Paul Sack, principals, are client contacts.

## Scudder Realty Advisors

333 S. Hope St., 37th Floor, Los Angeles, Calif. 90071; (213) 229-0313

| | |
|---|---|
| Tax-exempt real estate assets | $401 million |
| Equity | $32 million |
| Hybrid debt | $76 million |
| Mortgages | $293 million |
| Direct, separate accounts | |
| Equity | $32 million |
| Hybrid debt | $76 million |
| Mortgages | $293 million |
| Total real estate assets | $401 million |

Scudder Realty Advisors Inc.'s the mix by property type is 50% office/commercial, 20% retail, 5% mixed use, 20% industrial and 5% multifamily. The firm expects to be a net buyer of retail, industrial and office properties.

The mix by geographic region is 5% Southeast, 10% Mountain and 85% Pacific. The firm expects to be a net buyer in the Pacific region.

The concentration during the next year will be on hybrid financing and small loan programs.

Scudder offers direct separate account investments.

Investment clients include San Diego Employees, Sacramento County Employees, Ventura County Employees and Southern California Carpenters.

The parent company is Scudder, Stevens & Clark Ltd.

Christopher B. Davis, senior vice president, is in charge of making property investments and is client contact.

## Security Capital Real Estate

1290 Avenue of the Americas, New York, N.Y. 10104; (212) 408-2911

| | |
|---|---|
| Tax-exempt real estate assets | $1,645 million |
| Equity | $1,045 million |
| Commingled or pooled funds | |
| Equity | $945 million |
| Direct, separate accounts | |
| Equity | $100 million |
| Total real estate assets | $1,300 million |
| Equity | $1,300 million |

As of June 30, the tax-exempt equity assets of Security Capital Real Estate Corp. had a market value of $825 million. Contributions received but not invested were $120 million; contributions committed but not received were $100 million.

For tax-exempt assets, the mix by property type is 8% office/commercial; 8% retail; 2% industrial; and 82% multifamily housing.

The firm expects to be a net buyer of mostly multifamily apartments and some commercial properties.

The total property portfolio is located 1% Northeast; 26% South Central; 26% Southeast; 12% Mountain; and 35% Pacific.

The concentration during the next year will be on acquisition because $200 million of committed funds is expected from a new closed-end commingled fund.

The firm offers open- and closed-

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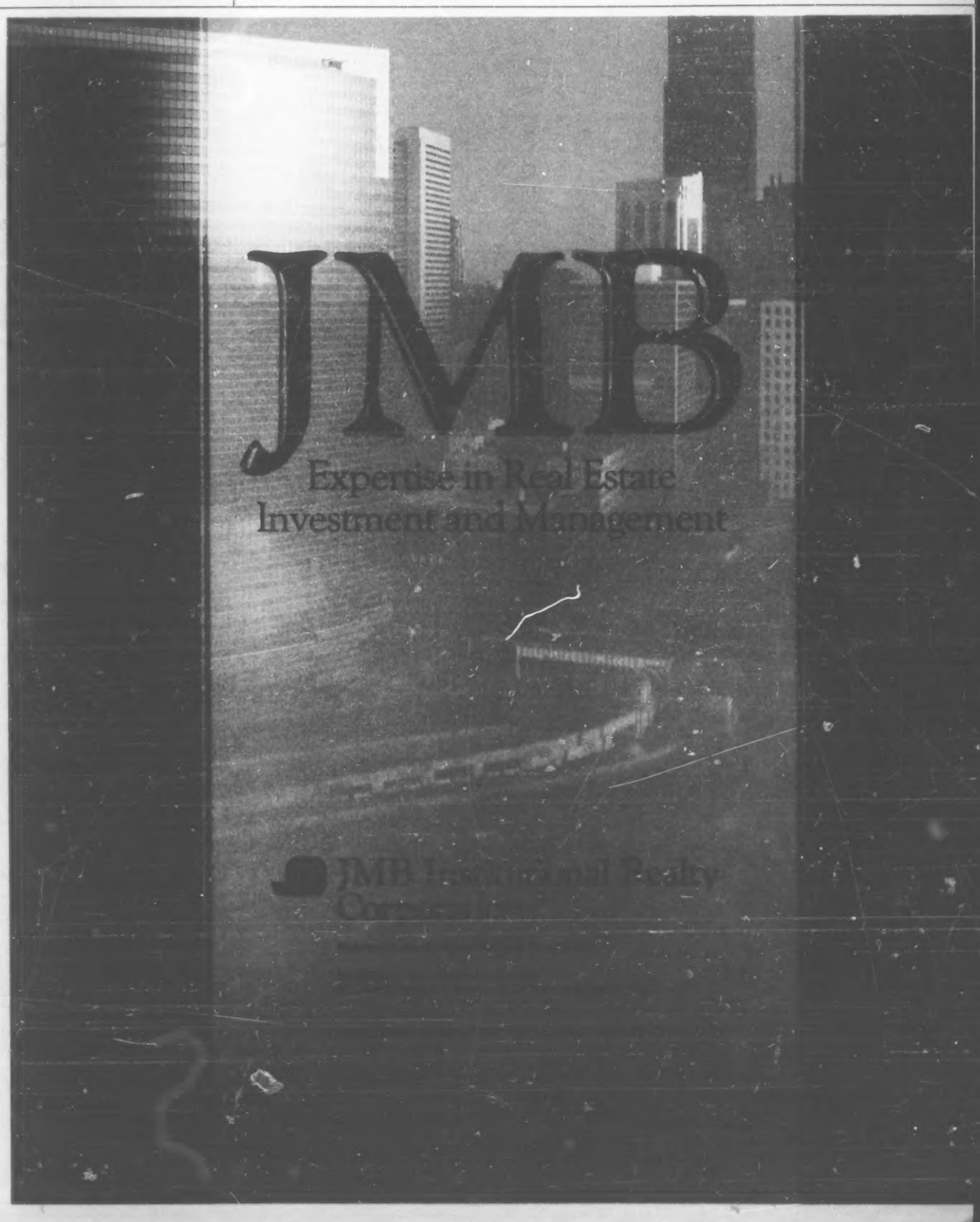

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end funds and a separate account.

The Security Capital Real Estate Fund is an open-end fund with $921 million. It purchases 100% equity interests in properties in the $2 million to $5 million range, such as apartments, retail, office and warehouses.

Security Capital Realty Partners, a closed-end fund closing in October, has $50 million in commitments. It invests in newer apartments in the $5 million to $25 million range.

The firm does property management for 92% of the property it owns.

Investment clients include State of Alaska, Ford, U S WEST and Duke Power.

The parent company is Security Capital Corp.

John Streicker, president, is in charge of making property investments. Lewis W. Kresch, first vice president, is client contact.

### State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110; (617) 654-3953

| | |
|---|---|
| Tax-exempt real estate assets | $396 million |
| Equity | $162 million |
| Hybrid debt | $131 million |
| Cash | $103 million |
| Commingled or pooled funds | |
| Equity | $162 million |
| Hybrid debt | $131 million |
| Total real estate assets | $396 million |

As of June 30, the tax-exempt equity assets of State Street Bank and Trust Co. had a market value of $162 million. The hybrid debt holdings had a market value of $131 million. Cash received or committed but not earmarked for a specific investment totaled $103 million.

The mix by property type is 31% office/commercial, 37% retail and 32% industrial.

The total property portfolio is located 21% in the North Central region; 10% Northeast; 6% South Central; 14% Southeast; 6% Mountain; and 43% Pacific.

State Street offers closed-end, commingled funds with Aldrich, Eastman & Waltch Inc. AEW-State Street Real Estate Fund V is open for subscriptions.

Clients include CBS, GTE, Honeywell and World Bank.

The parent company is State Street Boston Corp.

Robert E. Kilroy, vice president, is in charge of making property investments. Peter E. Braun, vice president, is client contact.

Personnel changes are in On the move — page 36.

### TCW Realty Advisors

400 S. Hope St., Suite 600, Los Angeles, Calif. 90071; (213) 683-4200

| | |
|---|---|
| Tax-exempt real estate assets | $1,419 million |
| Equity | $1,080 million |
| Hybrid debt | $339 million |
| Commingled or pooled funds | |
| Equity | $875 million |
| Hybrid debt | $233 million |
| Direct, separate accounts | |
| Equity | $205 million |
| Hybrid debt | $106 million |
| Total real estate assets | $1,419 million |

As of June 30, equity assets of TCW Realty Advisors had a market value of $642 million. Contributions received but not invested were $59 million; contributions committed but not received were $379 million.

The hybrid debt holdings had a market value of $339 million.

The mix by property type is 35% office/commercial, 19% retail and 46% industrial.

The firm expects to be a buyer of industrial, shopping centers and office properties and a seller of offices.

The mix by geographic region is 2% North Central; 10% Northeast; 5% South Central; 20% Southeast; 12% Mountain; and 51% Pacific.

TCW expects to be a buyer in the Pacific, Northeast, Southeast and South Central regions and a seller in the Mountain and Pacific states.

The concentration during the next year will be on acquisition because through selective strategies, based on its in-house research, unique opportunities can be developed.

TCW offers direct separate account investment management and closed-end commingled funds.

It does property management for 100% of the properties it owns.

Investment clients include Pacific Telesis, U S WEST, McDonnell Douglas and Kodak.

TCW is a joint venture with Trust Co. of the West.

Roger C. Schultz, senior partner/director of acquisitions, is in charge of making property investments. Bruce Ludwig, senior partner, is client contact.

### The Travelers

1 Tower Square, Hartford, Conn. 06183; (203) 277-0111

| | |
|---|---|
| Tax-exempt real estate assets | $507 million |
| Equity | $422 million |
| Mortgages | $85 million |
| Commingled or pooled funds | |
| Equity | $399 million |
| Mortgages | $85 million |
| Direct, separate accounts | |
| Equity | $23 million |
| Total real estate assets | $18,809 million |
| Equity | $1,403 million |
| Mortgages | $17,406 million |

As of June 30, the tax-exempt equity assets of The Travelers had a market value of $422 million; the mortgages, $85 million.

Of the total under management, $200 million was for foreign clients.

For tax-exempt assets, the mix by property type is 52.6% office/commercial; 9.4% retail; 3.8% hotel/resort; 10.6% industrial; 11.1% multifamily housing; and 12.5% timberland/agriculture.

The total property portfolio is located 16% in the North Central region; 13% Northeast; 13% South Central; 27% Southeast; 20% Mountain; and 11% Pacific.

The concentration during the next year will be on property management because it encompasses managing existing properties to maximize return as well as actively reviewing opportunities for possible sales and acquisitions.

The firm offers open and closed-end funds and separate account management.

Separate Accounts R is an open-end fund with equity, debt and balanced components. The equity portion invests in recently constructed, income-producing properties and has $356 million in assets; the debt portion invests in first and junior mortgages and has $85 million; the balanced portion invests in the equity and debt portions on a 70/30 ratio and has $233 million.

Separate Account T-II is a closed-end fund, open for contributions, that will invest in timberland properties.

Investment clients include Consolidated Edison, Pennsylvania Blue Shield and Sisters of Holy Cross.

Travelers' subsidiaries include The Prospect Co. and Travelers Mortgage Services.

Raymond Morgan, vice president, is in charge of making property investments. B. Thomas Willison, vice president, is client contact.

### The Union Labor Life Insurance Co.

111 Massachusetts Ave., N.W., Washington, D.C. 20001; (202) 682-0900

| | |
|---|---|
| Tax-exempt real estate assets | $324 million |
| Mortgages | $324 million |
| Commingled or pooled funds | |
| Mortgages | $324 million |
| Total real estate assets | $324 million |

As of June 30, the market value of the mortgages held by Union Labor Life Insurance Co. was $110 million. Contributions received but not invested were $214 million.

The mix by property type is 63% office/commercial; 12% retail; 3% hotel/resort; 18% industrial; 3% multifamily; and 1% single-family.

The mix by geographic region is 5% South, Southeast and Southwest; 18% Midwest; 18% West; 51% Northeast; and 8% Alaska.

The concentration during the next year will be on long-term first mortgages.

Union Labor Life offers open-end funds. Mortgage Separate Account J — "J for Jobs" — is an open-ended account with a market value of $110 million and contributions received but not yet invested of $214 million. It invests in first mortgages made pursuant to forward commitments negotiated and issued at market rates on to-be-built residential and income-producing properties. Projects must be constructed or rehabilitated by union labor.

Edgerton R. Saathoff, vice president, and Leland A. Harrs, second vice president, are in charge of making property investments. Robert C. Cassin, director of group pension, is client contact.

### Wells Fargo Realty Advisors

330 Washington St., Marina del Rey, Calif. 90292; (213) 822-2032

| | |
|---|---|
| Tax-exempt real estate assets | $866 million |
| Equity | $222 million |
| Hybrid debt | $297 million |
| Mortgages | $347 million |
| Commingled or pooled funds | |
| Equity | $222 million |
| Hybrid debt | $119 million |
| Mortgages | $4 million |
| Direct, separate accounts | |
| Hybrid debt | $178 million |
| Mortgages | $343 million |
| Total real estate assets | $3,263 million |
| Equity | $325 million |
| Hybrid debt | $297 million |
| Mortgages | $2,641 million |

As of June 30, the tax-exempt equity assets of Wells Fargo Realty Advisors had a market value of $169 million. Contributions received but not invested were $53 million.

The hybrid debt holdings had a market value of $119 million. Contributions committed but not received were $178 million. The market value of the mortgages was $347 million.

For tax-exempt assets, the mix by property type is 5.2% office/commercial; 50% retail; 36.9% industrial; and 7.9% residential.

The firm expects to be a net buyer of retail, industrial, apartment and office properties.

The total property portfolio is located 10% in the North Central region; 20% South Central; 10% Southeast; 15% Mountain; and 45% Pacific.

Wells Fargo expects to be a net buyer in the Pacific, Northeast and North Central regions and a net seller in the South Central region.

The concentration during the next year will be on development of joint ventures, because the firm believes it is an opportunistic time to selectively develop properties with major developers.

Wells Fargo offers an open-end fund, separate accounts and a REIT.

The Wells Fargo Realty Advisors fund is an open-end fund with assets of $166 million. It invests in development property and opportunities where existing real estate can be upgraded, expanded or renovated. Transactions are typically joint ventures or participating mortgages.

It does property management for 15% of the properties it owns.

Investment clients include Ohio Public Employees, General Motors, Avon Products and Frank Russell Trust.

The parent company is Wells Fargo & Co. Subsidiaries are Wells Fargo Realty Finance and Wells Fargo Asset Management Co.

Doug Hayek, director of acquisitions, is in charge of making property investments. J. Michael Johnson, director of marketing, is client contact.

# Assets up 27%

*Continued from page 19*

included in the industrial total, however, the percentage of tax-exempt assets in industrial properties actually would be higher this year, probably by about two percentage points.)

At the same time the managers are seeking to diversify their clients' real estate holdings, they are grappling with trying to add value to their existing portfolios. To do so, they are working the properties they already own for their clients — often through more intensive property management and/or rehabilitation or renovation.

Indeed, said one consultant, the ability of the real estate investment manager to manage the property has become a key acquisition criteria.

Of the managers surveyed, 57 said acquisition is the primary area they will concentrate on during the coming year and 38, property management.

PROPERTY also found changes in rankings of the 10 largest managers in all categories surveyed.

Among the top 10 ranked by combined tax-exempt assets in equity real estate, hybrid debt and mortgages, Equitable Real Estate Investment Management Inc., Atlanta, jumped to the top spot from third last year. Equitable had about $6.9 billion in tax-exempt real estate assets under management as of June 30, an increase of about 25% from the $5.5 billion under management a year earlier.

George R. Puskar, president of Equitable Real Estate, said the most important reason for his firm's gain is "consistent long-term performance of our pension vehicles."

"Since becoming a separate company three years ago, it has been Equitable Real Estate's top priority — and we have made the organizational commitments — to expand our service to pension clients, and to diversify our products in closed-end and single clients accounts and vehicles tailored to public funds," Mr. Puskar said.

Equitable traded places with Aetna, which, because it incorrectly included its general account assets in last year's statistics, reported a drop of about $12.2 billion in tax-exempt assets.

Prudential Realty Group, Newark, N.J., retained its second-place ranking.

Boston Co. Real Estate Council Co., Boston, recorded a substantial gain; tax-exempt assets under management increased 23.8%, vaulting the company to 10th from 13th a year earlier.

RREEF, San Francisco, dropped to sixth place from fourth, and Balcor Institutional Realty Advisors Inc., dropped to 11th from its anchor spot on last year's top 10.

Among the top 10 ranked by tax-exempt assets in equity real estate, Equitable and Prudential traded places. Top-ranked Equitable recorded a 21.9% gain in equity real estate, to $6.365 billion as of June 30 from $5.222 billion a year ago. There were no new entries in the top 10 equity real estate managers; only their order was reshuffled.

In the top 10 by mortgage assets under management, Aetna dropped off the listing, although it previously had been ranked first. A newcomer — McMorgan & Co., San Francisco — took the No. 1 spot, reporting $1 billion in mortgages under management as of June 30 for tax-exempt clients. Another first-timer, Latimer & Buck Inc., Philadelphia, was ranked second, with $646 million. Also new to the rankings of the 10 largest mortgage managers were Equitable; Eastdil Realty Inc., New York; and Fayez Sarofim & Co., Houston.

In hybrid debt (debt financing with some of the attributes of an equity investment, such as a participating mortgages), Boston Co. moved to first place from fourth, with more than $1.8 billion in hybrid debt as of June 30, vs. almost $1.3 billion a year earlier. Balcor dropped a spot to second, and F.I.A. Associates, Sacramento, Calif., moved down to fourth place from second.

Latimer & Buck and Lomas & Nettleton Advisory Group, Dallas, were ranked in the top 10 in hybrid debt for the first time; they replaced Kennedy Associates Real Estate Council Inc., Seattle, and TCW Realty Advisors, Los Angeles, both of which dropped off the top 10.

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## List a meeting in PROPERTY

The editors of PROPERTY welcome your notices of conferences, seminars and classes. Send information to: Joanne Friedrick, PROPERTY, 740 N. Rush St., Chicago, Ill. 60611.

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# Survey determines ownership

*Continued from page 1*

For retail properties, the survey showed tax-exempt institutions owned, on an equity basis, 613,703 square feet in Chicago and 171,464 square feet in Philadelphia, but nothing in the downtowns areas of New York, Los Angeles or Houston.

Only Houston had tax-exempt institutional investments retail mortgages, with 133,409 square feet.

The retail properties identified in the survey had a total appraised market value of more than $161.2 million.

Jonathan D. Miller, a vice president with Equitable Real Estate Management Inc., New York, said the opportunities for institutional retail investments are outside the central business districts.

"Most of our retail investments are in big, regional shopping centers that are located in suburban areas," said Mr. Miller.

He also said institutions might own retail space in mixed-use projects. In this survey, respondents were asked to categorize properties by their primary use.

The survey also found little tax-exempt institutional ownership of downtown industrial property on an equity basis — 50,000 square feet in Los Angeles and 14,000 square feet in Chicago, but none in New York, Los Angeles or Philadelphia. Mortgages were held on 817,525 square feet of industrial space in downtown Houston and 229,000 square feet in Chicago.

The total appraised market value of the industrial properties identified in the survey was $51.9 million.

"In a lot of major cities, the view is industrial will be driven out (of the downtown area) by the high costs," said Van J. Stults, a vice president of LaSalle Advisors Ltd., Chicago.

Only 27 institutions (or 10.8% of the 249 respondents) said they own office, retail or industrial property in the five CBDs, showing they generally avoid investments in the central business districts of major metropolitan areas.

And when they do buy properties there, they almost always do so through investment management firms. Only four pension funds reported they made the property decisions themselves.

Real estate experts said tax-exempt institutions generally avoid investments in the downtowns of major metropolitan areas because of lofty price tags.

Peter A. Peyser, senior vice president of Landauer Advisors Inc., New York, said many tax-exempt funds aren't large enough, or don't have enough assets committed to real estate, to consider such investments.

Nathan Schloss, senior vice president and corporate economist of Real Estate Research Corp., Chicago, agreed. "You're talking about buildings that are high priced and in good locations," he said, adding part of the reason prices are high is many downtown properties have the characteristics institutional investors emphasize.

Many tax-exempt funds funnel their downtown real estate investments through commingled funds run by an investment management firm. By pooling their assets, these funds can take significant position in central business district properties and achieve the desired diversification. Even then, some commingled funds lack sufficient dollars to seriously consider the downtown market, Mr. Peyser said.

"We're talking about (the need for) diversification by both property type and geography," he said.

"You can't have geographical diversification and distribution in a $150 million fund and be talking about downtown areas because the property costs are too high."

For those that have the money, however, the central business districts of major cities offer some strong advantages.

"If you look at the major cities, one of the things you'll find is the demand for space in a major urban area is much more significant than in a smaller urban area or a suburban area," said Michael Herzberg, senior vice president of acquisitions for JMB Realty Corp., Chicago. He said the high demand places a premium on space available to be leased.

JMB, through JMB Institutional Realty Corp., manages 695,000 square feet of offices in downtown New York and 318,000 square feet of offices in downtown Los Angeles for tax-exempt clients. The market value of those properties represents about 7% of JMB's $1.7 billion tax-exempt institutional portfolio.

The attractiveness of the demand for space in major downtown areas also is enhanced by the likelihood these cities will not suddenly become overbuilt.

"What you look for is growth. No one likes Houston anymore because the growth ended," said Paul Sack, a principal of The RREEF Funds, San Francisco.

He said institutional investors want "a combination of growth in demand and some restriction on future supply." He said the lack of undeveloped land in CBDs sometimes prevents overcapacity. ■

## Square footage owned by tax-exempt institutions

| City | Equity basis: Office | Equity basis: Retail | Equity basis: Industrial | Mortgage basis: Office | Mortgage basis: Retail | Mortgage basis: Industrial | Total appraised market value: $ millions |
|---|---|---|---|---|---|---|---|
| New York | 10,519,417 | 0 | 0 | 1,851,128 | 0 | 0 | 2,280.3 |
| Los Angeles | 2,856,455 | 0 | 50,000 | 1,204,905 | 0 | 0 | 556.1 |
| Chicago | 7,633,009 | 613,703 | 14,000 | 2,450,510 | 0 | 229,000 | 1,284.4 |
| Houston | 1,606,664 | 0 | 0 | 560,000 | 133,409 | 817,525 | 227.8 |
| Philadelphia | 4,759,899 | 171,464 | 0 | 265,000 | 0 | 0 | 739.6 |

Source: PROPERTY survey

Properties owned by institutional investors, through their real estate investment advisers, in the five downtowns surveyed include those shown above: 800 Wilshire Blvd., Los Angeles, Richard Ellis; LaSalle Bank Building, Chicago, LaSalle Advisors; 2 Wall St., New York, RREEF; 3 Penn Center, Philadelphia, Richard Ellis; 33 N. Dearborn, Chicago, Richard Ellis; 120 Broadway, New York, J.P. Morgan Investment; 1 Financial Place, Chicago, Lomas & Nettleton; 30 Wall St., New York, Richard Ellis.

# L.A. shedding 'non-city' image

By Steve Hemmerick

Los Angeles, the trading hub of the Pacific Rim, is developing a major downtown area, a significant portion of which Japanese investors already own.

In the past, Los Angeles has been described as a non-city or a giant suburb, even though its 3.1 million population is second only to New York.

Sol Rabin, a partner in TCW Realty, Los Angeles, said almost 20% of the about 120 million square feet of office space in the city is in the downtown area. In most cities, he said, 30% to 50% of total office space is downtown.

But real estate experts believe Los Angeles' downtown area will grow significantly in the coming years.

According to Mr. Rabin, the Japanese own about one-third of the office space in downtown Los Angeles and, other experts agree, the Japanese presence as owners and tenants will grow.

In September 1986, the Japanese firm Shuwa Investments Corp. made a major purchase, paying $620 million for the twin towers and the below-ground shopping center of the Arco Plaza.

Because of changes in banking laws, many Eastern banks are expected to establish a presence in Los Angeles in the next few years, creating a demand for space.

Another factor helping to build the downtown area is increasing anger among city residents at commercial construction in West Los Angeles and the San Fernando Valley.

As politicians block growth in suburban areas, developers will focus increasingly on development in the downtown area, say experts.

Politicians in Los Angeles aren't anti-growth, said Gerald Parkes, a Los Angeles-based director with Richard Ellis Inc., New York. But they are "much more sensitive as to where the growth occurs. I think the focus (for development) is now and will continue to be on downtown Los Angeles. I think we will see more corporations see downtown Los Angeles as a viable location, not just the banks and various service companies."

Also, Los Angeles is the trading hub of the western Pacific region. It receives substantial imports from Japan, South Korea, Taiwan and Hong Kong and is used as a funnel for exports to Japan, South Korea, and Australia.

As downtown Los Angeles develops as the center of the city, say the experts, it will have one of the strongest metropolitan economies in the world behind it.

According to an economic report for Security Pacific Bank, Los Angeles, metropolitan Los Angeles has the second largest concentration of population, employment, business, industry and finance in the United States, exceeded only by the New York area.

Downtown Los Angeles already has some tall buildings, the tallest being the 62-story, 1.1-million-square-foot First Interstate Bank Tower. By 1989, downtown Los Angeles will have the tallest building west of Chicago — the 73-story, 1.5-million square-foot Library Tower.

"That building is going to be the biggie. It is going to put the downtown on the map," said Clay Hammerstein, a real estate broker in the Los Angeles office of Julien J. Studley Inc., a real estate services firm.

Including the Library Tower, downtown Los Angeles will be adding another 10 million to 13 million square feet of office space over the next seven years or so, said Mr. Rabin.

"Between 1988 and 1993 there is going to be an influx of 13 million square feet of office space" and 18 new buildings, said Mr. Hammerstein.

Growth in the downtown area will be helped by mass transit. Los Angeles officials expect to open a heavy rail system that will funnel traffic into the downtown area in the 1990s, and a light rail system is planned between the downtown area and Long Beach.

In addition to office construction in the downtown area, more residential and hotel construction is planned.

Retail space was added as part of the first phase of the Citicorp Plaza in downtown Los Angeles.

As new buildings are completed, downtown Los Angeles will be a renters' market, but for the investor, downtown Los Angeles may be too important a market to avoid. ■

Sol Rabin of TCW Realty notes Los Angeles' downtown holds only 20% of the area's office space.

**Payden & Rygel index of short maturity assets***
**(for month ended August 31)**

| | August 1987 | Quarter ended 6/30/87 | Year to date | 12 months ended 8/31/87 | Yield level monthly change[a] |
|---|---|---|---|---|---|
| **90-day** | 0.4914 | 1.4288 | 3.8412 | 5.6409 | 18 |
| U.S. Treasury bill | 0.5265 | 1.5928 | 4.2953 | 6.1760 | 23 |
| Domestic C.D. | 0.5344 | 1.6447 | 4.3599 | 6.3161 | 25 |
| Eurodollar C.D. | | | | | |
| **180-day** | 0.4733 | 1.4921 | 3.8243 | 5.5532 | 15 |
| U.S. Treasury bill | 0.4510 | 1.3945 | 3.9117 | 5.6185 | 30 |
| Domestic C.D. | 0.4618 | 1.4921 | 3.9672 | 5.7528 | 30 |
| Eurodollar C.D. | | | | | |
| **1-year** | 0.2834 | 1.0982 | 3.1624 | 4.7494 | 34 |
| U.S. Treasury note | | | | | |
| **2-year** | 0.0536 | 0.1359 | 1.7903 | 3.1616 | 34 |
| U.S. Treasury note | | | | | |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. Ninety- and 180-day Treasury bill yield level changes on discount basis.
[a]Basis points.
Source: Payden & Rygel, Los Angeles

# Banks favored for underwriting paper

GREENWICH, Conn. — An increasing number of institutional fixed-income investors favor allowing commercial banks to act as dealers for corporate commercial paper issues, according to a new survey.

The survey by Greenwich Associates, Greenwich, Conn., also ranked 21 instruments used by corporations in their money market portfolios, finding the most popular are time deposits, domestic commercial paper and repurchase agreements.

Greenwich found demand for three major types of foreign currency-denominated commercial paper — sterling, French franc and European currency unit — is expected to about double in the next year among European money market investors.

In interviews with 2,142 major domestic institutional buyers, the report shows a majority support bank entry into commercial paper underwriting.

The survey found 38% of money market investors and 31% of corporate bond buyers strongly agree on allowing banks as dealers, and 50% of money market investors and 38% of corporate bond buyers agree somewhat.

The support by those surveyed has been growing since 1985, according to previous Greenwich surveys.

Over the same time, the study found a decreasing number oppose banks as dealers. In the latest survey, only 3% of money market investors and 5% of corporate bond buyers disagree strongly in allowing bank entry, while 6% of money market investors and 14% of corporate bond buyers disagree somewhat.

The interviews for the recently released survey were conducted in February and March.

Among other findings, the survey ranked the use of instruments in money market portfolios of corporations, showing that, including ties, 79% use time deposits; 71% commercial paper of domestic issuers; 60% repurchase agreements; 54% direct-issue commercial paper and Eurodollar certificates of deposit; 50% bankers' acceptances, money-center bank CDs, commercial paper of foreign issuers and auction-rate preferred stock; 42% letter of credit-supported commercial paper; 37% regional bank CDs; 31% Yankee CDs; 21% whole loans or loan participations; 17% floating-rate CDs; 13% term CDs and Eurocommercial paper; 12% non-dollar instruments; 6% continuously offered medium-term notes; and 4% mortgage- or other asset-backed securities and stripped Treasury securities.

The survey didn't include Treasury bills, nor did it ask the aggregate composition of portfolios.

In a separate survey of 95 European money market investors, Greenwich found:

- 34% of the European investors plan to use sterling commercial paper in the next year, up from the current 18%;
- 16% plan to use French franc commercial paper, up from 8%; and
- 30% plan to use commercial paper denominated in ECUs, or European currency units, up from 14%. ■

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# Consultants list is being compiled

A list of investment management consultants who serve the small and medium-size fund market is being compiled in Consultant Compendium II.

The original Consultant Compendium dealt with the largest investment consultants and was published by F. Jerome Grimm and Charles C. Thomas. Aiding them is James P. Owen, managing director of NWQ Investment Management Co., Los Angeles, and executive vice president of Investment Management Consultant Association. IMCA members should call Messrs. Grimm or Thomas at (617) 235-3151; Mr. Owen at (303) 321-7955. ■

# Pressure . . .

*Continued from page 3*

and shareholder rights groups praised the survey for going a long way toward demystifying the proxy process. But they were evenly divided on whether there was more pressure than was cited in the responses.

A few of the players interviewed by *Pensions & Investment Age* doubted many managers or executives would admit to experiencing pressure and thus they felt the pressure may be more intense and frequent than the survey reported. Others said the results were on target, and the existence of pressure had been blown out of proportion during the 1987 proxy season.

Some said the results were skewed because the question to sponsors asked specifically about financial pressure, while the question managers and trustees were asked used only the undefined word pressure. They also noted the survey was done before the 1987 season heated up.

"At one point, it (the existence of pressure) was almost like folklore. This is the first attempt to measure it," said Hazel Witte, senior technical associate at the FEI's Washington office, who helped draft the questions.

"For a first effort, the survey is pretty good. It adds a little depth to the discussion about the proxy process," Ms. Witte said.

Don Carter, president of The Carter Organization, a New York proxy solicitation firm, and Jamie Heard, deputy director of the Investor Responsibility Research Center, Washington, both said they have little doubt there is more pressure than was reported.

"There's a built-in bias that they don't want to feel like there's pressure and that they aren't doing their fiduciary duty," he said.

Mr. Heard, whose organization has been closely tracking proxy voting issues, said if anything, the EBRI survey numbers underrate the pressure. "That's been my experience. People aren't going to put it down on paper," he said.

The survey, which is the most comprehensive examination of the voting practices of private pension plans that has been done, offers new information on whether pension funds vote their proxies and who votes; whether there are written guidelines for voting, and whether pressures are experienced according to particular interests.

The survey findings, however, do not provide clear policy guidelines on whether plan executives under current practices meet their fiduciary responsibilities under the Employee Retirement Income Security Act or whether external pressure on plan executives or investment managers affect their proxy votes.

EBRI raised several public policy questions: Should sponsors be required to vote all their shares either directly or indirectly? Are some sponsors small enough to vote with their feet, i.e. sell the stock rather than vote against management? Does direct or indirect pressure affect the votes of internally or externally voted ERISA shares? And, if so, is new legislation needed to curb abuses? Finally, is legislation needed on anti-takeover proposals, or will the market work effectively without legislation?

When EBRI, a public policy research group, announced earlier this year it would conduct the survey, it was blessed by the Department of Labor and welcomed by chief executives, corporate and public pension fund executives, investment managers, master trustees and corporate governance and shareholder rights groups. The survey, conducted in late February and March, includes data on 334 plan sponsors, 134 investment managers and 25 master trustees.

Pension fund voting practices grabbed headlines during the 1987 proxy season, which was dominated by the anti-takeover debate. It became clear that corporate executives, investment managers and policy-makers knew little about those practices. Questions were raised about whether private pension funds vote their proxies, whether they support management in anti-takeover votes and whether they are subject to pressures to vote with management.

A tug of war over pension fund proxy votes seemed to heat up in April when a letter-writing campaign was launched by some chief executives asking their counterparts at other corporations to use their influence with pension fund managers (*Pensions & Investment Age*, April 6).

Policy-makers wondered whether proxy voting activities were conducted within the constraints set by ERISA's fiduciary requirements. The complexity and effectiveness of voting also was challenged.

All of these concerns spurred a wide-ranging discussion and examination of pension plan voting practices.

While the question of pressure was not the only issue, interest was especially keen because of the sensitivity.

The EBRI study found only one quarter of pension plan executives voting themselves reported financial pressure to influence their proxy votes. Financial pressure to capture votes was more likely on plan executives with large equity investments of more than $100 million. But fully 75% of plan executives reported they never had experienced financial pressure.

The EBRI survey also found:

- Nearly 64% of plan executives reported voting some of their proxies. Plans with equity investments of $500 million or more, representing 82.6% of equity held by pension funds surveyed, almost always voted their proxies.
- Smaller plans were much less likely to vote proxies themselves. Less than 40% of executives whose plans had equity assets of less than $25 million report any voting. But some plans — 31% — did not know whether they had voted or not. These plans tended to have lower assets. More than one-half of plans with assets of less than $10 million did not know whether they had voted their proxies. A large majority — 90% — of those who did not know whether they had voted had all of their assets managed externally.
- Plan sponsors are more likely to have written policies for proxies voted by the fund than for those voted by an investment manager or master trustee. When proxies are voted internally, 43% of executives are guided by a written policy. When proxies are voted externally, 21% of plan sponsors provided written guidance on voting. Among plans without a formal written voting policy, 88% always gave external managers full voting discretion, and rarely monitored the managers' votes. More than 60% of external investment managers have a formal written policy to guide them on proxy issues.
- The EBRI survey found more than 51% of plan sponsors with written policies for internal voting on specific proxy issues, such as anti-takeover devices, and 61% of external managers had guidelines on such issues. Nearly 42% of plan sponsors and more than 60% of external managers had written policies for recapitalization strategies, which include anti-greenmail provisions or preferred stock transactions.

The EBRI survey concluded "anti-takeover activities are a serious concern to those institutional investors who specifically include written guidance on voting proxies for specific issues. Furthermore, a sizable minority of plan sponsors also mention that they have been pressured to vote. These flags suggest that continued public policy interest in these issues is not unwarranted." ■

**Direct or indirect pressure on investment managers**

| Frequency of pressure | Investment managers |
|---|---|
| Always | 0.0% |
| Frequently | 3.3 |
| Sometimes | 24.8 |
| Rarely | 37.2 |
| Never | 33.9 |
| Don't know | 0.8 |

Source: Employee Benefit Research Institute

# Global bond use . . .

*Continued from page 3*

Ehrlich, director of pension fund trusts.

Earlier this month, the New York-based fund appointed BA Investment Management International Ltd., London, to run a global bond account. The fund also moved 4% to 6% in non-U.S. bonds from a domestic bond portfolio managed by J.P. Morgan Investment Management Inc., London, to a new international bond account, also run by Morgan. Proceeds from maturing guaranteed investment contracts also were used to fund both accounts, and additional GIC assets will bring the accounts up to target.

Other funds that invested in foreign bonds recently include the $3.1 billion Kansas Public Employees' Retirement System, Topeka, and the $3.4 billion Illinois Municipal Retirement Fund, Chicago, both of which appointed Julius Baer Investment Management Inc., New York, to run $20 million and $90 million, respectively (*P&I Age*, Aug. 24); and the $500 million Cincinnati Bell Inc. pension fund, which hired Warburg Investment Management International, London, to run $50 million (*P&I Age*, June 29).

But not all funds believe international bonds are the place to be. In May, American Information Technologies Corp., Chicago, reduced its international bond holdings to 1.5% of its $11.5 billion fund from 5%. The money was placed in cash, real estate and small-capitalization stocks.

James A. Kujaca, director, said the shift was made because fund executives believe international interest rates are likely to rise in the near term and the dollar is likely to be stable at 130 to 150 against the yen. The fund also took some profits. Noting the move was a tactical one, Mr. Kujaca said the fund may return to the area if the outlook changes.

But armed with neatly packaged versions of their "Case for International Bonds" reports, managers are raking in new foreign fixed-income business.

In terms of commitments from new or existing accounts in the first half of 1987, BA was on top with $280 million. Following were Fiduciary Trust Co. International, New York, with $268 million; N.M. Rothschild International Asset Management Ltd., New York, with $250 million; and J.P. Morgan with $200 million.

The firms manage $1.3 billion, $466 million, $800 million and $900 million, respectively, in foreign fixed income for U.S. tax-exempt clients.

First Chicago Investment Advisors added $186 million; Julius Baer added $110 million; Baring International Investment, London, added $100 million; and PCM International, Newark, N.J., added $77.5 million. The firms manage $1.3 billion, $375 million, $400 million and $380 million, respectively, in foreign bonds for U.S. tax-exempt clients.

Not included in the totals were large portions of foreign fixed income managed for foreign-based insurance companies established by U.S. corporations.

Bruce M. Dresner is director of investments of the $600 million Dartmouth College endowment, Hanover, N.H., which has invested in foreign bonds through Warburg for several years. He believes plan executives should determine whether they want international fixed income for high income or a total return; executives also should determine the degree of discretion to give managers for achieving objectives.

For instance, coupons vary widely among markets with Japan and West Germany at the low end and the United Kingdom and Australia at the upper range, said Mr. Dresner.

"Whether to go non-U.S. or global is another question. For many, investing internationally is a relatively new idea . . . You should look at diversification and high returns relative to risk," he said.

Dartmouth chose a non-U.S. strategy because the program more easily fit into the asset mix, Mr. Dresner said.

Executives also must decide between dollar- and non-dollar-denominated bonds. Dollar-denominated accounts include U.S. Treasury securities and Eurodollar bonds; non-dollar securities include other bonds.

The ITT fund invested in foreign bonds "because Salomon Brothers shows that more than 50% of fixed income in global markets is outside the U.S. so it would make sense to have a certain portion outside the U.S.," said Mr. Ehrlich. He also said an inverse correlation between U.S. and non-U.S. securities allows for incremental returns at a lower risk profile.

Cincinnati Bell invested in foreign fixed income without ever having invested in foreign equities.

"A study we've done shows it adds diversification away from domestic bonds and the portfolio in general and adds some return. "We wanted to be somewhat on the cutting edge by getting into bonds . . . rather than on the tail end of (investing in) international equities. I believe it's a coming trend. A lot of the play is already out of equities," said Len Haussler, pension fund manager.

"We don't believe in currency or interest rate forecasting. We believe in international bonds as a diversifier," Mr. Haussler said. "We were not trying to catch the dollar falling more, but that did make it more enticing for us. The dollar could just as easily turn around in the next year, week or day."

The $1.089 billion Young Men's Christian Association retirement fund, New York, has been internally managing global fixed income for 10 years. "It has helped to protect the purchasing power of our fund. So, if the dollar is devalued, our participants are protected against a purchasing power loss," said Harold Smith, president.

About 26%, or $280 million, of the YMCA fund's total assets are in foreign assets of which about $178 million, or 16%, is foreign bonds. Foreign equities total $102 million.

While most fund executives interviewed said they allow foreign currency hedging, the YMCA fund avoids it, relying entirely on the fund's top-down approach, he said. "We start with basic assumptions about markets and that's worked very well for us," Mr. Smith said.

From a long-term standpoint, the correlation between domestic and international fixed income has been historically lower than the equivalent correlation between U.S. and international stocks, said Adrian Lee, J.P. Morgan's vice president responsible for product development and business development.

Most of Morgan's fixed-income clients have gone global, unlike on the foreign equities side in which the vast majority of commitments are non-United States. That's mainly because "clients don't want to make U.S./non-U.S. allocations decisions," Mr. Lee said. In addition, clients believe it might be easier to compare fixed-income markets than equity markets.

# Interlake . . .

*Continued from page 2*

clined to specify how the reversion proceeds would be used, although the company treasury's domestic cash position apparently isn't sufficient to finance the repurchase without the excess pension assets.

Interlake expects to complete the recapture of an estimated $97.5 million, before taxes, in excess pension assets sometime later this year, according to several company executives. In addition to any corporate income tax, the reversion apparently will be subject to a new 10% excise tax. Corporate executives declined to comment on the issue.

They also declined to give further details on the reversion or the insured annuities the company would have to buy to cover the accrued benefits as required under pension rules.

The board of directors approved in August a program to buy back 915,000, or 7.8%, of the company's 11 million outstanding shares. The repurchase may begin this month and will take place in the open market and in negotiated trades with large shareholders, a spokesman said.

At a recent price of $49 a share, the program would cost less than $50 million.

Depending on when the company receives the proceeds from the reversion and the timing of the stock buyback program, another treasury executive said the company might have to borrow for two or three months.

He suggested borrowing would be done in the commercial paper markets.

In addition to its expected reversion, Interlake holds about $25 million domestically and $40 million internationally in cash equivalents in its corporate treasury, according to the treasury executive. ■

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# Pension surplus to lift earnings

By Barry B. Burr

A $300 billion surge in the surplus assets of corporate pension funds in the first half of 1987, should translate into a 6% to 8% increase in corporate earnings.

The surge in the surplus resulted when the the value of assets increased by $200 billion while liabilities fell by $100 billion, according to Robert D. Arnott, vice president and equity strategist at Salomon Brothers Inc., who produced the estimates.

"Nobody is factoring that into earnings" estimates, Mr. Arnott said. "This growth in pension surplus and its effect on corporate profitability reinforces one view that a market top is not likely to occur before early 1988," Mr. Arnott notes in a research report.

The longer term impact of the huge surplus is more difficult to estimate, especially as two other new studies have thrown doubt on the long-term stability of the pension surplus and have overturned the long-held, comforting perception of a steady growth of excess pension funding.

The studies by executives of Salomon Brothers and Morgan Stanley & Co. show that only after the second quarter of this year has corporate pension surplus reached a level similar to that of the early part of the decade.

As Mr. Arnott points out, "Reduced pension contributions and larger surpluses should mean that net selling of stocks by pension sponsors will con-

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Pensions & Investment Age

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# Investors cool to LDC debt

By Marcia Parker

NEW YORK — Institutional investors are wary of efforts to involve them in the solution of the Third World debt crisis.

Wall Street investment bankers are counting on the institutions to snap up Third World debt once they fashion the products to make the investment feasible, but a survey of more than 30 institutional investors, including corporate and public pension fund officials, global money managers, insurance company executives and high-yield bond managers, found little enthusiasm and lots of skepticism about Third World debt investments.

Across the board, investors expressed strong skepticism of what they view as "extremely risky" and "inappropriate" investments for themselves and their clients.

They cited a litany of worries about Third World debt investments, and indicated their concerns were so keen they would not feel comfortable investing corporate, public or client money.

While most investors said they were intrigued intellectually by the idea and would take a look at Third World debt as they would any new investment, their immediate reaction is "hands off."

"There's been a lot of talk about what it would take to get us (institutional investors) interested," said Charles H. Salisbury Jr., vice president and director at T. Rowe Price Associates, Baltimore, which has more than $20 billion in assets under management. "Here's what we think: It's going to be a tough sell."

"It's a scary thing. Nobody wants it," said David Seidel, vice president-pension fund management at GTE Investment Management Corp., Stamford, Conn., which runs the $10 billion GTE Corp. pension fund.

"It's killing the banks. Those countries have too much debt and they can't afford to pay it. How can anyone guarantee it? How can they fashion an instrument to eliminate the risks in Third World debt?" Mr. Seidel said, summing up the views of many investors.

Jim Sullivan, president of Sullivan Money Management, a Houston-based high-yield bond

*Continued on page 52*

*Investing in the debt of Third World countries and economic centers like Mexico City, above, is drawing only skepticism from the ranks of American institutional investors.*

## Inside:

SOUTH AFRICA: Mount Holyoke College's endowment is among the funds using investment clout to battle apartheid. A look at the status of the divestiture movement — Page 35.

# *Proposed funding change could flow to bottom line*

By Nicky Robertshaw

WASHINGTON — Corporate pension contributions could be whipsawed year to year under a revenue-raising option expected to be taken up by the House Ways and Means Committee, possibly this week.

Such whipsawing of pension contributions, in turn, could cause dramatic swings in corporate earnings.

The panel is trying to drum up $12 billion in revenue for next year as it struggles to comply with the Gramm-Rudman-Hollings Act's deficit reduction targets.

The pension proposal would tax contributions made to defined benefit pension plans that already are funded by 150% or more of termination liability, under a proposed redefinition of full funding.

The current full funding standard is 100% of accrued and future liabilities, which includes all benefits projected to accrue until employees reach retirement age as well as projected salary increases. Contributions beyond the full funding limitation are subject to a 10% excise tax.

If 110% of termination liability becomes the minimum funding standard — as is proposed by the Reagan administration — and 150% of termination liabilities becomes the maximum, employers would have a relatively narrow range to hit each year, pension experts pointed out.

"I think there is potential for cutting down the flexibility too much," said Ethan E. Kra, principal and actuary for William M. Mercer-Meidinger-Hansen Inc., New York. "Budgeting cash flow could become a real problem," he added, pointing out a primary reason for current pension surpluses is the bull market.

"You might be OK at the beginning of the year and not be OK by the end of the year," Mr. Kra said, noting the employer could have problems whether the market went up or down. He cited one employer portfolio that this year experienced a 40% increase between Jan. 1 and Aug. 31.

A plan that had been 110% funded at the beginning of the year on a termination basis now would be 156% funded because of the market. Barring any market downturn by the end of the year, a contribution made for that plan year would be taxable.

On the other hand, a repeat of the 1973-'74 market drop — when the stock market lost 50% of its value — could cause a plan funded at a 150% level to decline to, say, a 90% funding level, meaning the company would have to come up with a large contribution.

"Companies will get into a situation where they are be-

*Continued on page 53*

# Seix leading shake-up as MacKay CEO

By Marlene Givant

NEW YORK — After years of poor equity performance, losses of equity clients and personnel changes, MacKay-Shields Financial Corp. has decided to overhaul its equity department.

To execute the changes, Christina Seix, former president of the firm and head of its high-performing bond department, has been promoted to chairman and chief executive officer, replacing William R. Grant, who has been named chairman of a new international subsidiary of New York Life Insurance Co., the investment firm's parent company.

MacKay-Shields, which manages $5.5 billion about evenly split between equities and fixed income, will undergo a major equity restructuring to get that department up to speed with the top-notch fixed-income department Ms. Seix will continue to lead.

However, there will be no change in MacKay-Shields basic equity investment approach, which is growth-oriented. It will continue to offer value investing and indexing as options.

As part of the changes, four individuals have resigned or soon will leave the equity department. Bill Feick Jr., managing director and senior investment manager, and James Cowperthwait, who also was a managing director, have joined other firms. William H. Todd, managing director-equities, will leave to join another firm by year end. And John McNamara, a research analyst, will leave the firm shortly but his plans are not known.

The aim is to keep a core of equity investment professionals and hire additional staff, Ms. Seix said. She added the departing staff members in recent years had assumed more service- than investment-oriented responsibilities. The firm has 11 equity portfolio managers.

In addition to implementing sweeping changes, Ms. Seix will pioneer a position held by few women. Pointing out the business is dominated by men, Mr. Cowperthwait said, "I can't think of a major firm that has had a woman in charge ever, especially one who's 37 years old."

"She has a very risk-averse bond policy aimed at positive real returns every quarter. She's brought in a lot of business and packs a lot of power at that firm," he added.

The streamlining of staff will aid in the firm's revamping, according to the new chairman.

"Basically, the chronology of events is we've had a lot of growth in fixed income and not as much on the equity side," Ms. Seix said. "The reason is not investment skills at all; we have some of the smartest stock pickers in the business. But we need a fine-tuning in terms of (investment) disciplines and a more defined investment process."

Clients contacted by *Pensions & Investment Age* were confident of Ms. Seix's abilities.

The $800 million pension fund of Dana Corp., Toledo, Ohio, which has had a "substantial size" equity account with MacKay-Shields for five years, has been satisfied with the firm's performance and expects little impact from the changes.

"The implications of the departures aren't evident until time has passed," said Ralph Lipford, vice president-investment management. "The individuals we deal with have not departed . . . I don't really view those results as significant."

Fieldcrest Mills Inc., Eden, N.C., has had $5 million in equities of its $10 million supplemental retirement plan with MacKay-Shields for at least 10 years. The company has total retirement assets of $175 million.

"We think it will have very little effect. We've been with them 10 years through various (person-

*Continued on page 54*

# GTE loses Seidel to manager

*David Seidel is becoming president and chief operating officer of Management Asset Corp.*

David A. Seidel, vice president of pension fund management for GTE Investment Management Corp., Stamford, Conn., is leaving to become president and chief operating officer of Management Asset Corp., a Westport, Conn., money management firm with more than $900 million in assets.

Mr. Seidel, who has been at GTE for more than two years, will take over day-to-day operations at Management Asset Oct. 19. Those duties were handled by Leonard Heine, Management Asset's chairman and chief executive officer. Mr. Heine will concentrate on broader complex strategies of financial investments.

Messrs. Seidel and Heine confirmed the move, but would not comment further. John Carroll, president of GTE Investment Management, said he would fill the position as soon as possible; he also declined to comment further.

Mr. Seidel's move comes shortly after GTE Investment Management, which runs the $10 billion GTE Corp. pension fund, realigned its equity management structure.

Under the new system, responsibility for traditional and non-traditional external managers was changed and internal equity management responsibilities were broadened, giving more individuals more varied duties (*Pensions & Investment Age*, Sept. 7). Mr. Seidel still headed equity and non-traditional investments. ■

# LTV dispute spurs review of plan to boost premium

By Nicky Robertshaw

WASHINGTON — Congressional proposals for pension insurance premiums may be trimmed sharply if the Pension Benefit Guaranty Corp. wins the first round in court on restoration of three pension plans to The LTV Corp.

The absence of a premium in a Senate Labor and Human Resources Committee draft proposal aimed at shoring up the struggling agency sparked rumors the Congressional Budget Office may be revising its estimate of the amount of revenue needed to be raised in the budget from the pensions area.

Capitol Hill and Reagan administration sources suggested the budget office may be changing its figures in light of the PBGC's Sept. 22 move to return three terminated plans to Dallas-based LTV. If the restoration sticks, it would cut the agency's $4 billion unfunded liability in half (*see story, Page 21*).

"We're still doing estimates in the same manner as before, but we're waiting to see what happens in court," a budget office source said. He added the office is preparing revised figures in case the PBGC wins the first round. Requests for revised figures were made by all four congressional committees that have or will have proposals dealing with the pension issue.

If the PBGC's unfunded liability is reduced, a smaller premium would be needed to come up with the same amount of federal revenue.

It is a policy decision, however, as to whether the premium would be reduced or the amount of revenue would be increased.

The congressional tax-writing committees are looking for $500 million in revenue from the pensions area for the next three fiscal years. Under a Ways and Means Committee proposal, for example, $1 billion in increased premiums would be offset by $500 million in money "lost" because of new minimum funding standards and reduced transfers from the PBGC trust fund.

The Congressional Budget Office source pointed out reducing the PBGC's unfunded liability postpones the need for a higher premium, but not for long.

When the PBGC moved to restore the three LTV plans, Executive Director Kathleen P. Utgoff stressed it would not solve the agency's problems. "The need to reform pension funding, to improve the PBGC's premium income and to address treatment of its claims in bankruptcy court has not changed," she said.

The agency charges an annual premium of $8.50 per participant, which had been more than tripled from $2.60 just last year.

*Continued on page 49*

*Trustees of two plans of the International Organization of Masters, Mates and Pilots union, whose members work as deck officers on ships such as the one above, won one suit but still face others.*

# Court backs union claim

By Joel Chernoff

NEW YORK — Two maritime union retirement plans lost $34.1 million from the investments of a money management firm that channeled plan assets into speculative start-up companies, according to a federal magistrate.

While the trustees of the two International Organization of Masters, Mates and Pilots plans recently won both an appeals court victory and the hefty damages recommendation against their former manager, they still are at sea: They face lawsuits from plan participants and the Department of Labor over their role in the investment of $31.5 million in assets.

One of the major issues is whether the manager, New York-based Tower Asset Management Inc., acted at the direction of plan trustees in investing substantial amounts into maritime-industry start-up companies with the aim of creating new jobs for union members.

While court battles likely will go on for years, the investments appear to have the hallmarks of a social investing scheme gone awry.

Robert Hayes, union vice president-Atlantic ports, said, "My personal theory is the president of the union (Capt. Robert Lowen) was interested in improving membership during the worst period (in the maritime industry) since the Great Depression," he said. "My personal hunch is he was duped."

But another union source denied the investments were targeted

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# 'Quant' norm hard to find

By Barry B. Burr

Investment returns, turnover and price of brokerage commissions vary widely among quantitative equity managers, a *Pensions & Investment Age* survey shows.

The telephone survey focused only on assets 16 quantitative managers run for tax-exempt clients in unhedged portfolios containing domestic and generally larger-capitalization stocks.

The results show the managers, by and large, have outperformed the Standard & Poor's 500 stock index over the years.

Returns for any one year, however, vary widely among managers.

The year ended June 30 was tough on most managers' performance, with only three bettering the S&P 500's return of 25.2%. Returns ranged from 11.1% for Denver Investment Advisors Inc., Denver, to 29.9% for Disciplined Investment Advisors Inc., Evanston, Ill.

By contrast, all but one manager outperformed the index's 35.9% return for the 12 months ended June 30, 1986. Even then, returns varied, ranging from 21.5% for Trinity Investment Management Corp., Boston, to 51.8% for Advanced Investment Management Inc., Pittsburgh.

For the 12 months ended June 30, 1985, only 12 of the 16 managers surveyed were running money in the quant strategy; and of those managers, two-thirds bettered the market. For the five years ended June 30, five of the six managers running money in business that long beat the S&P.

Portfolio turnover ranged widely among the managers. In the 12 months ended June 30, the average trading ranged from 35% by Gradison & Co., Cincinnati, to 125%-150% by Denver Investment Advisors.

The average price paid per share in brokerage commissions ranged from 2.6 cents by Aronson & Fogler Investment Management, Philadelphia, to 9 cents by Gradison. The average of the 15 managers reporting costs is nearly 5.5 cents per share.

Steven Pisarkiewicz, vice president and senior consultant at SEI Corp., New York, said the equity managers paid 7.05 cents to 7.1 cents on average in the 12 months ended June 30. In the second quarter alone, he said the price dropped to 6.98 cents.

In interviews, some managers, pension executives and consultants said per-share commissions for quantitative managers should be lower than for typical equity managers because of the nature of the investment strategy.

But Mr. Pisarkiewicz disagreed. "My experience doesn't point me to any direct relationship" between equity investment style and brokerage commissions per share.

"The cost of commissions tends to be a function of the relationship of a money manager and his brokers," Mr. Pisarkiewicz said. "A money manager negotiates with a broker. It's like any business relationship. If you put through a lot of business, you probably would be able to negotiate a lower rate."

> "I would expect quant managers to trade for below average (in terms of cost of commissions per share), because they don't get the benefit of research."
>
> **Gerald J. Paolini**
> **Xerox Corp.**

He said commissions were only part of the cost of trading stock. An important part of the cost also is execution impact, he added.

At Rosenberg Institutional Equity Management, Marlis S.S. Fritz, director-marketing, said its commission average of 5 cents a share "isn't particularly low. We don't care about paying low commission costs. We don't want to nickel-and-dime brokers. We're more concerned about market impact (trading execution) than commission costs."

SEI has no breakdown of the price per share quantitative managers pay. SEI's aggregate commissions statistics comes from its plan sponsor data base, containing 600 equity portfolios of about $90 billion, run by some 250 different managers.

Mr. Pisarkiewicz said SEI is planning to break down data from its stock trading research by investment style to see if there is any correlation with the price each manager type pays per share. He expects SEI to have such a breakdown available next year or in 1989.

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*Ceco Industries Inc., which erected the addition to this Texas hospital, plans to use surplus pension assets to pay down $108.5 million in debt incurred as a result of a leveraged buy-out when senior management took the company private in 1986.*

# Ceco reversion to aid debt load

By Marlene Givant

OAK BROOK, Ill. — Ceco Industries Inc. will terminate its $90 million overfunded salaried defined benefit plan and use the asset reversion to pay down debt it assumed when it was taken private in a leveraged buy-out late last year.

After the termination, the company will form a new, uncommon account-based defined benefit plan, purchasing annuities to satisfy benefit obligations.

The asset reversion is expected to allow the corporation to pay down the $108.5 million in senior bank debt assumed when it was taken private by senior management in December 1986. The amount of reversion, however, is undetermined.

As of July 31, 1986, the salaried plan had an estimated surplus of $18.2 million on a pre-tax basis. During the 12 months following the leveraged buy-out, the company expects there will be approximately $15 million of excess assets before taxes and $7 million of excess assets on an after-tax basis.

Because the amount of surplus depends on such factors as the timing of the reversion, performance of the salaried plan's investment portfolio and the actuarial assumptions for the computation of benefits at the time of the termination, "there can be no assurance that excess funds will be available to reduce the senior bank debt," according to the prospectus on the leveraged buy-out.

The company expects to file for the termination with the Pension Benefit Guaranty Corp. in the next week or two. The actual reversion will take place in early 1988.

"There was a sizable surplus in the plan and the company went through a leveraged buy-out. The surplus, once recaptured, will be used to pay down corporate debt," said Stanley Rohwedel, manager of corporate finance.

Ceco has purchased non-participating single-premium group annuity contracts for participants in the terminated plan.

To help fund the purchase of the annuities, equity managers Sanford C. Bernstein & Co. Inc. and MacKay-Shields Financial Corp., both of New York, were terminated. Mr. Rohwedel could not provide the size of each account because assets frequently were switched among equity accounts. But he said the fund had about $60 million in equities in early 1987; now it has none.

Ceco will retain Chase Investors Management Corp., New York, which has managed an immunized bond portfolio since 1984. The size of that account was not available "because we're in the midst of selling off bonds to pay for the annuities," he said.

It also will retain Dimensional Fund Advisors, Santa Monica, Calif., but will switch the firm's $12 million equity account to a fixed-income account.

So far, the plan has purchased $45 million in annuities including $35 million from New York

*Continued on page 51*

# *First Boston lead underwriter in quarter*

**Total underwritten offerings - 3rd qtr.***

| Firm | $ mils. | Market share |
|---|---|---|
| First Boston (5) | 10,624.4 | 15.2 |
| Salomon Brothers (1) | 10,047.3 | 14.3 |
| Morgan Stanley (3) | 9,684.8 | 13.8 |
| Merrill Lynch (4) | 8,578.2 | 12.1 |
| Drexel Burnham (7) | 7,041.2 | 10.1 |
| Goldman, Sachs (2) | 6,045.9 | 8.5 |
| Shearson Lehman (6) | 5,788.7 | 8.3 |
| Prudential-Bache (12) | 1,826.4 | 2.6 |
| Kidder, Peabody (8) | 1,439.1 | 2.1 |
| PaineWebber (20) | 1,402.5 | 2 |

**Total debt offerings - 3rd qtr.***

| Firm | $ mils. | Market share |
|---|---|---|
| First Boston (4) | 9,066.5 | 16 |
| Salomon Brothers (1) | 8,703.9 | 15.4 |
| Morgan Stanley (2) | 8,153.8 | 14.4 |
| Merrill Lynch (3) | 6,892 | 12.1 |
| Drexel Burnham (6) | 6,073.2 | 10.7 |
| Shearson Lehman (7) | 5,330.5 | 9.4 |
| Goldman, Sachs (5) | 4,777.3 | 8.3 |
| Prudential-Bache (11) | 1,126.9 | 2 |
| Kidder, Peabody (8) | 938.4 | 1.7 |
| Smith Barney (15) | 902.5 | 1.6 |

**Total equity offerings - 3rd qtr.***

| Firm | $ mils. | Market share |
|---|---|---|
| Merrill Lynch (5) | 1,686.3 | 12.5 |
| First Boston (4) | 1,557.9 | 11.6 |
| Morgan Stanley (6) | 1,530.9 | 11.4 |
| Salomon Brothers (8) | 1,343.5 | 10 |
| Goldman, Sachs (2) | 1,268.6 | 9.4 |
| Drexel Burnham (10) | 968 | 7.2 |
| Prudential-Bache (16) | 699.5 | 5.2 |
| PaineWebber (13) | 677.5 | 5 |
| Kidder, Peabody (7) | 500.8 | 3.7 |
| Dean Witter (11) | 495.8 | 3.7 |

* Full credit to lead manager
Numbers in parentheses indicate the firm's second-quarter 1987 ranking
Source: IDD Information Services Inc., New York

By Brad Rudin

NEW YORK — First Boston Corp. pushed past Salomon Brothers Inc. to emerge as the top-ranked underwriter of taxable securities in the third quarter.

Salomon, however, remained No. 1 in underwritings completed during the first nine months of the year, according to IDD Information Services Inc., New York.

Total taxable third-quarter underwriting volume rose 6% to $70.23 billion from $66.14 billion in the second quarter. Debt volume increased to $56.76 billion from $49.4 billion, a gain of 15%, while equity volume sank 19% to $13.47 billion from $16.74 billion.

Debt volume, buoyed by the strong economy, contended with

*Continued on page 53*

# Citicorp action may spark others

By Brad Rudin

NEW YORK — Rising interest rates and robust stock market gains make it likely increasing numbers of corporations will follow Citicorp in settling a portion of their pension obligations with the purchase of annuity contracts.

Relying on a pension accounting rule, Citicorp settled part of its approximately $1 billion pension obligation by buying a $400 million annuity from Metropolitan Life Insurance Co., New York. The plan has assets of about $1.5 billion.

The annuity purchase added $1 a share to third-quarter earnings and boosted shareholders' equity.

Citicorp announced the annuity purchase Sept. 24, a week after raising $1.1 billion in a public stock offering. Both moves were taken to repair the balance sheet damage that resulted from the corporation's decision in May to boost its loan-loss reserve $3 billion. The special provision brought to $4.9 billion the amount reserved for potential loan losses.

Several Citicorp competitors later announced similar moves, making some of them candidates for annuity purchases, including Chase Manhattan Bank, Chemical Bank and Bankers Trust Co, all of New York.

Interest in annuities is expected to increase along with interest rates. When interest rates rise, corporations are able to purchase annuities more cheaply. The decision to buy an annuity becomes still more attractive when a pension surplus swollen by stock market gains can be converted into higher current earnings through the use of the settlement rule established by Financial Accounting Standards Board Statement 88.

The pension accounting rule allows the immediate recognition of a deferred gain or loss.

Citicorp's announcement of the annuity purchase could be the start of a revival of this practice, said James P. Klein, a vice president at Towers, Perrin, Forster & Crosby, a New York-based actuarial and consulting firm.

CITICORP

"You can start to sense it when people are finding the annuity purchase rate to be pretty good. I haven't really seen it yet. Citicorp is the first one," Mr. Klein said. "A couple more points and people will start looking at it and say 'not a bad deal.' "

Rising interest rates have boosted the annuity business at Metropolitan, said Anthony Amodeo, an actuary for the insurance company. The internal rate of return of annuities is well above Treasuries, Mr. Amodeo said, declining to give additional information about rates.

The incentive to record an earnings gain from the settlement of pension obligations seems particularly powerful for money-center banks, which have been plagued by problem loans to developing countries.

Because earnings and the capital base have been under pressure, bankers have been trying to realize gain from undervalued assets, said Paul H. Baastad, an analyst at S.G. Warburg & Co., San Francisco.

"It seems likely that other money-center banks with overfunded pensions would certainly think seriously about using (the pension plan) as a source for strengthening their capital base," he said.

"It's very hard to say," said Andrew M. Aran, an analyst at Standard & Poor's Corp. "I'm sure they are all considering it."

Executives at other money-center banks, however, declined to say whether they would buy annuities.

Manufacturers Hanover Corp. benefited from FASB 88 in 1986 and 1985 when it recognized gains of $18.7 million and $53.5 million, respectively, as a result of its settlement of pension obligations with annuity purchases.

"It's not a new idea and not unanticipated," said Jeremy Gold, a principal with the pension group at Morgan Stanley & Co. "We advise banking clients to consider (settlement) as one source of equity capital."

The settlement of part of its pension obligation will enable Citicorp to record a $160 million after-tax gain in the third quarter. On a pre-tax basis, the gain is $300 million.

FASB 88 "creates a major opportunity for companies with substantially overfunded plans, because overfunding at the date of compliance with FASB 87 is treated as an actuarial gain," according to a recent Salomon Brothers Inc. publication. Under Statement 87, actuarial gains and losses are normally deferred and amortized over the average service period of employees.

"By purchasing annuities for some or all of their obligations, these companies can bring into current earnings the gains that would otherwise have been recognized only over an extended period of time," according to the Salomon report.

As a result of the charge against earnings, Citicorp reported a $2.3 billion loss for the first six months ended June 30, 1987, or negative $17.12 a share, on revenue of $5.7 billion.

Without the charge and related tax benefits, the bank would have earned $552 million, or $3.59 a share, in the first half of 1987.

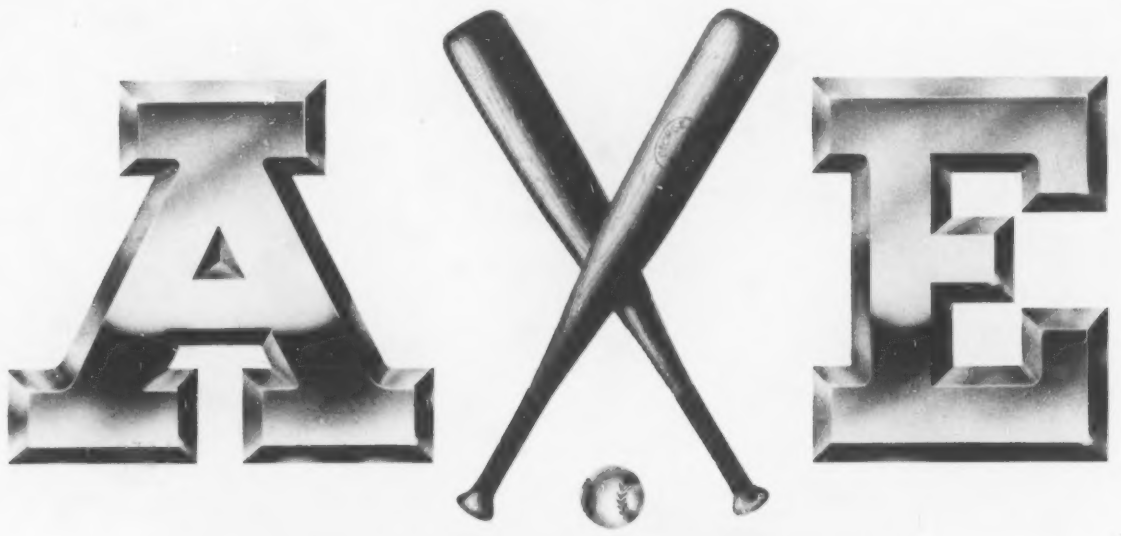
The bank earned $505 million, $3.47 a share, on revenue of $4.9 billion in the first half of 1986. ■

## Corrections & clarifications

• A profile of **Crestar Bank**, Richmond, Va., should have been included in the Sept. 7 master trust directory. The bank, with $151 million in master trust assets for nine clients and $5.7 billion in master custodial assets for 191 clients as of June 30, would have ranked 24th.

• Equity managers in **Evaluation Associates Inc.**'s universe posted first-quartile returns of 27.3% for the half, median returns of 23.8% and third quartile returns of 21.2%. Balanced managers in EAI's first quartile had returns of 2.2% in the second quarter and 16.4% for the half. The figures were reported incorrectly in the Sept. 21 issue.

• **Wachovia Bank & Trust Co.** is handling fixed-income investment for the Wake County Hospital System and **Wedge Capital Management Inc.** is handling part of the system's equity investments. The investment type each is handling was switched in the Sept. 21 issue.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# Corporate Finance

*Stanley Works, which offers a wide variety of tools for both "do-it-yourselfers" and professionals, now has settled into integrating the businesses it acquired in the past few years.*

## Stanley Works slows buzz-saw acquisition pace

**By Marcia Parker**

NEW BRITAIN, Conn. — The Stanley Works is taking a breather after a two-year acquisition binge of 14 businesses and a restructuring effort that has reshaped the well-known maker of hand tools into a major consumer and industrial products company with a growing presence overseas.

"This year we're settling things down, integrating the businesses we've acquired," Richard H. Ayers, Stanley president and chief operating officer, said during a break in a recent conference on corporate restructuring in New York.

In the past few years, Stanley has sharpened its focus in two areas: supplying products and services to do-it-yourselfers and supplying professionals with tools and other quality specialty products.

The three-pronged strategy involving acquisitions, divestitures and cost-cutting has essentially been completed. A key element has been to meet low-cost foreign competitors head-on by setting up manufacturing facilities overseas and marketing products in many countries.

Fourteen acquisitions — including seven in 1986 and two in 1987 — have been in the core business lines where Stanley is market leader or No. 2. Most were paid for with internal cash flow, and the rest came from increased borrowings, according to R. Alan Hunter, vice president-finance and chief financial officer.

The acquired businesses — including the Bostitch fastening tool and fastener business Stanley bought from Textron Inc. and the hand tool business of the Peugeot group of France — are already contributing to the Stanley bottom line. The businesses are relatively free from low-cost foreign competition, which has been a troublesome matter for Stanley and its other American competitors.

"We are starting to use some of our overseas facilities to source some goods for the U.S. and that helps us compete," Mr. Hunter said. "The change in currency (softening of the dollar makes U.S. exports more attractive) has also helped."

Stanley has manufacturing sites in Taiwan, Brazil and Mexico.

*Continued on page 18*

## Investment banks retain dominance

**By Brad Rudin**

NEW YORK — Commercial banks took eight of the top 20 places in the private placement league tables for the first half of 1987, two more than in 1986, according to data compiled by IDD Information Services Inc.

That gain overall was somewhat offset by the commercial banks' loss of one place — down to two — in the top 10.

Although the private placement market continues to be dominated by debt offerings, equity-linked deals have shown some growth, said Marc Dash, head of the private placements group at Goldman, Sachs & Co., New York. Debt with warrants in the high-yield market have gained acceptance because the equity link provides an added incentive to investors, but equity deals account for a small proportion of total volume because they come in much smaller sizes than debt transactions, he said.

Chemical Bank, New York, and Security Pacific National Bank, Los Angeles, made their way to the the top 20 in the first half of 1987. They were not on last year's list.

Three New York-based investment banks — Bear, Stearns & Co., Dean Witter Reynolds Inc., and Lazard Freres & Co. — disappeared from the top 20 after making it to the upper end of IDD's private placement league tables last year.

*Continued on page 20*

## Securitized loans attracting ESOPs

**By Brad Rudin**

NEW YORK — A growing number of ESOP sponsors, attracted by lower borrowing costs, are financing their employee stock ownership plans with securitized loans rather than conventional term debt.

In addition, securitized ESOP loans — now being marketed aggressively by several money-center banks — could boost the number of companies sponsoring ESOPs because the loans maximize the tax advantages available to the companies.

Securitized ESOP loans are floating-rate notes sold to investors who qualify for the 50% interest income exclusion established by Congress in 1984. Banks, thrifts, savings and loan associations, insurance companies, mutual funds, finance companies and the domestic finance subsidiaries of foreign banks qualify for the exclusion under the Internal Revenue Code.

Like the standard ESOP term loan, proceeds from the sale of the ESOP notes are used to buy employer stock. From the plan sponsor's view, the primary difference between the ESOP term loan and the ESOP note is the price.

"You're talking about saving some 40 basis points off commercial paper with a traditional loan, if you structure it as a (securitized loan) you should almost double those savings," said Patricia A. Lynott, vice president in the ESOP financing unit of Chase Manhattan Bank, New York.

While an ESOP term loan carries a coupon between 80% and 85% of prime, the securitized ESOP loan would be priced about 75% of prime, said Kim M. Chandler, vice president at Bankers Trust Co., New York, a leader in the securitization of ESOP loans.

Because of their lower rates, securitized ESOP loans have potential as a refinancing vehicle for companies that have financed employee stock ownership plans with more expensive term loans.

For example, in August, Duff & Phelps Inc., Chicago, refinanced its 2-year-old ESOP with a $34 million securitized ESOP loan. "We're looking forward to interest savings as a result," said Karen W. Brown, a vice president at the financial services firm.

Corporate interest in securitized ESOP notes is likely to grow as interest rates rise, said James H. Zukin, a partner with Houlihan, Lokey, Howard & Zukin Inc., Los Angeles, a national valuation advisory firm.

"So far, the major banks in this field have been developing ESOP financing vehicles in a laboratory environment," said Mr. Zukin, referring to the relatively small size of securitized ESOP loans and the companies that have used them as a financing vehicle. The average size of the five securitized ESOP loans done to date is slightly less than $23 million.

"If and when they take it to the megamerger ESOP marketplace, then it should have a profound effect. Assuming a 2% saving, (securitization) eliminates the need for significant equity relative to a non-ESOP (leveraged buy-out) bidder," he said.

Strong demand for low-cost capital and a healthy investor appetite for tax-advantaged securities mean a bright future for securitized ESOP loans, said Ms. Chandler.

Bankers Trust, which has sold $65.5 million of securitized ESOP loans to date, expects its volume will reach $500 million by November. "We're expecting a couple of billion dollars by the end of 1988," Ms. Chandler said.

"If you feel that the trend toward employee ownership will continue or increase, then I think you have to believe that a securities market for this type of financing will develop," said Kenneth Winslow, a vice president at Chemical Bank, New York.

Chemical, which has not sold any securitized ESOP loans, is working on a second-generation product that will allow a deeper market than now exists, Mr. Winslow said.

Dividing the securitized ESOP loans into securities for the taxable and tax-exempt market is one possibility Chemical is considering. Pooling and packaging of several ESOP loans into a note that resembles a security based on lease receivables is also under consideration, he said.

The flow of tax-advantaged capital into ESOPs gives management a low-cost means of financing leveraged buy-outs, putting stock into friendly hands and financing acquisitions, Ms. Chandler said. "ESOP debt is at the heart of what's going on in corporate finance today," she said.

The advantages inherent in securitized ESOP loans build on the deductibility of principal and interest payments that are made to repay the loan to the plan. Corporations favorably regard this tax treatment because ordinarily only interest payments are deductible.

Securitized ESOP loans offer intermediate-term financing with notes that float on the short end of the yield curve because they can be put back to the plan sponsor at par after a short period, typically seven or 30 days. The notes are repriced on a schedule that coincides with the put periods.

Because investors look at the notes as short-term investments, they demand a rate that is lower than what would be required by the security's intermediate-term maturity.

If the remarketing agent fails to sell the notes that are put to the plan sponsor, those securities are bought by the bank providing a letter of credit. That bank, in turn, would seek reimbursement from the plan sponsor at the end of the financing period.

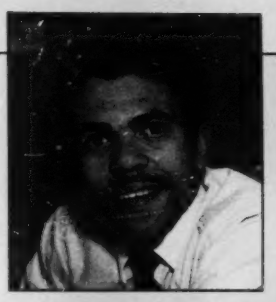
In cases in which the ESOP notes are sold without credit enhancement, the investors would present a direct claim against the plan sponsor if the remarketing failed.

A failed remarketing would not create a solvency issue for the plan sponsor in a deal without credit enhancement because the size of the loan would be small relative to the borrower's capitalization and ability to buy back the notes, said Ms. Lynott.

Bankers Trust calls its securitized ESOP loan a FRESOP, or floating-rate employee stock ownership plan. At Chase, the product is called TREND, for tailored-rate ESOP notes on demand. Manufacturers Hanover Trust Co., New York, refers to its product simply as ESOP notes.

"It's a marketing pitch," said one official at a bank that does not offer securitized ESOP loans. "It adds to the cachet of the bank that has them, but because they

*Continued on page 18*



*From top: Kenneth Winslow, vice president at Chemical Bank; Patricia Lynott, vice president at Chase Manhattan Bank; Kim Chandler, vice president at Bankers Trust Co.; and James Zukin, partner at Houlihan, Lokey, Howard & Zukin.*

# Banks . . .

*Continued from page 17*

Although the investment banks are facing more competition in the private placement business, they still have a solid grip on the top of the league tables.

Goldman, Sachs & Co., Salomon Brothers Inc., and Merrill Lynch & Co., all of New York, took the top three places in the league table for the first half of 1987.

Goldman, which took the top spot in overall private placement volume last year, owes its strong first-half showing this year to the diversity of its private placement business, said Mr. Dash. Goldman survived a decline in its leveraged buy-out business "because other areas continue to be very strong for us," Mr. Dash said. Traditional private placements as well as transactions relating to leveraged leasing and project finance contributed to Goldman's showing.

Goldman also took first place in the private placement of mortgage-related private placements. First Boston Corp. and Citicorp, both of New York, took the next two places. Salomon Brothers, First Boston and Citicorp took the first three places last year.

The top spot in lease-related private placements in the first half was held by Goldman, followed by First Boston and Bankers Trust Co., New York. Goldman, Salomon and Merrill took the first three places in the lease category in 1986.

Total private placement volume stood at $56.7 billion in the first half of 1987, compared with $40.5 billion in the first half of 1986.

Investment bankers seemed respectful of the gains commercial bankers have made in the private placement business during the past few years.

"I think they're in the business, will stay in the business and will emerge as a major competitive force in the business," said Ralph H. Fletcher Jr., a Salomon vice president and head of the firm's private placement group. "You can't ignore them."

But displacing the bulge-bracket Wall Street firms from the top three or four places will be a tough task for commercial banks, both sides agree.

"The sledding gets tougher as you get closer to the top," said Neil H. Powell, managing director and head of private placements at Bankers Trust. "I don't see any reason we won't continue to climb up the league tables. We're getting better but the competition gets tougher. We find we're competing with the best in the business."

Commercial bankers value their private placement business because it is an arena in which they are not restricted by the Glass-Steagall Act, said Robert A. Lawrence, vice president in charge of Citicorp's long-term finance department.

Because private placements allow commercial banks to become identified with an investment banking product, the business has a strategic value if new legislation gives commercial banks a wider franchise in investment banking, he said. "Building successful relationships and market share provides a good fulcrum to lever us into the public markets business."

Commercial bankers have made their greatest strides in placing traditional deals that need to be shown to a relatively small group of investors, said Stephen Newhouse, principal and head of private placements at Morgan Stanley. But their competitive thrust dissipates in transactions in which a wider distribution network is needed, he said.

Commercial bank private placement executives have yet to take full advantage of their banks' contacts with corporate borrowers because of a lack of coordination between the commercial loan operation and the capital markets group, Mr. Newhouse said.

Still, the close contact between borrowers and commercial banks is a plus for private placement officers at commercial banks, both investment bankers and commercial bankers agreed.

"There's a warmer feeling when you walk into that (client's office) than when you're an investment banker and you're walking in cold," said Arthur G. Kearney, managing director and head of private placements at Chase Manhattan Bank. Before joining Chase last year, Mr. Kearney worked with PaineWebber Inc.'s private placement unit for 15 years.

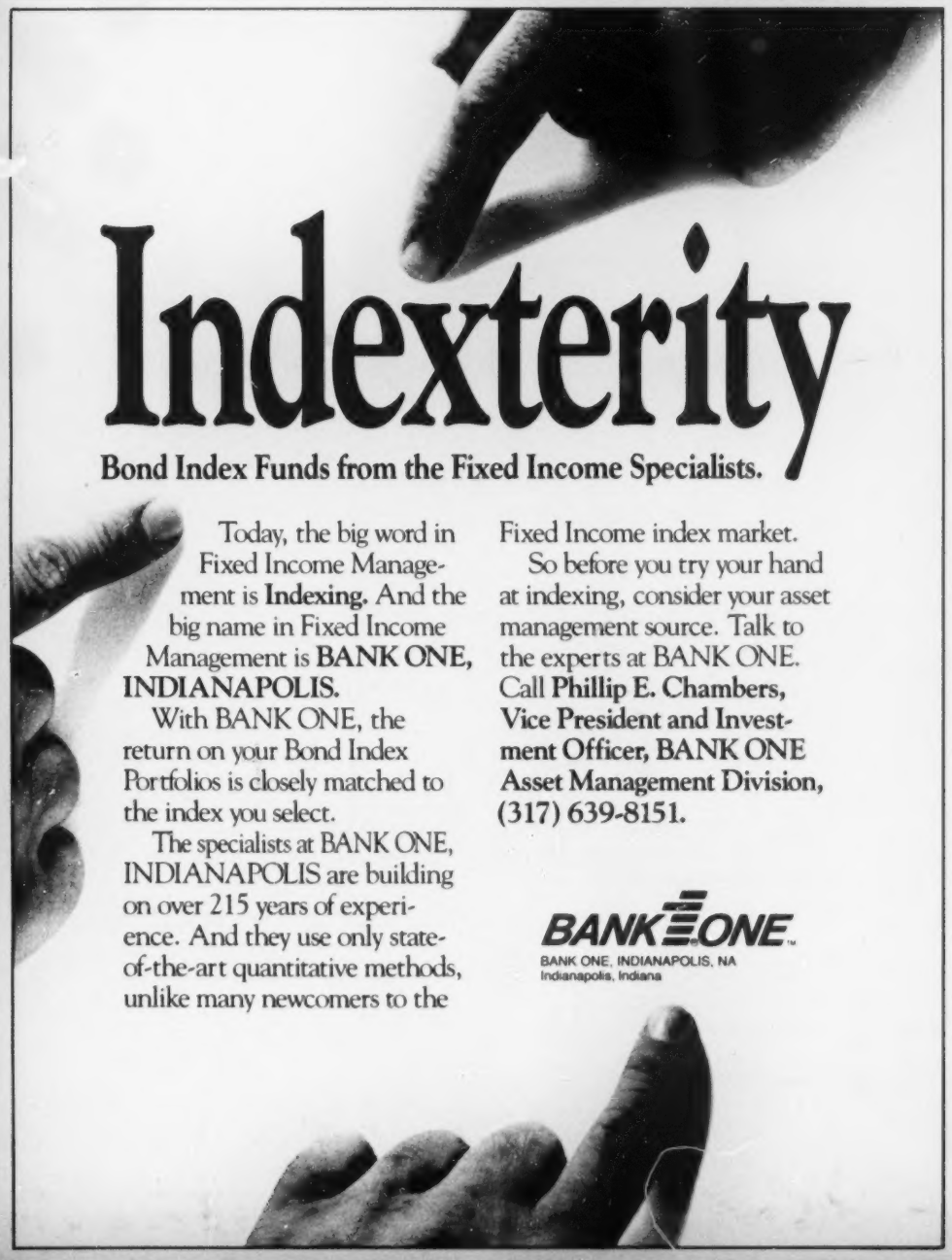
Loan officers at commercial banks are in a position to suggest longer maturity debt for corporate borrowers, who are then referred to the banks' private placement department, said Arthur A. Sharples, managing director and head of private placements at PaineWebber.

Because commercial banks provide a variety of services for corporate clients, bankers see the private placement fee in the context of other client revenue, Mr. Sharples said. "In many cases their (private placement) fees are aggressive." ■

### The top 20 private placement rankings
(Equal credit to each manager)

| Jan. 1-June 30,1987 | ($ mils.) | 1986 | ($ mils.) |
|---|---|---|---|
| Goldman, Sachs | 6,245.2 | Goldman, Sachs | 18,623.2 |
| Salomon Brothers | 5,227.4 | Drexel Burnham | 14,740.2 |
| Merrill Lynch | 5,184.8 | Salomon Brothers | 14,560.4 |
| Drexel Burnham | 5,000.5 | First Boston | 14,180.4 |
| First Boston | 4,999.2 | Merrill Lynch | 9,411.2 |
| Bankers Trust | 3,737.4 | Shearson Lehman | 7,139.4 |
| PaineWebber | 3,623.3 | Citicorp | 6,695.8 |
| Morgan Stanley | 3,525.7 | PaineWebber | 5,977.3 |
| Shearson Lehman | 3,452 | Morgan Guaranty | 4,402.4 |
| Citicorp | 3,040.5 | Bankers Trust | 4,311 |
| Morgan Guaranty | 2,096.5 | Morgan Stanley | 3,539.4 |
| First Nat'l Bank of Chicago | 1,925.8 | Prudential-Bache | 2,765.2 |
| Chase Manhattan | 1,736.5 | First Nat'l Bank of Chicago | 2,753.6 |
| Chemical Bank | 1,349.6 | Chase Manhattan | 2,548.8 |
| Prudential-Bache | 1,182.9 | Kidder Peabody | 2,446.6 |
| Kidder Peabody | 1,116.6 | Bank of America | 1,972.7 |
| Security Pacific Nat'l | 950.2 | E.F. Hutton | 1,296.8 |
| E.F. Hutton | 786.7 | Bear Stearns | 1,011.4 |
| Bank of America | 664.8 | Dean Witter | 694.7 |
| Dillon, Reed | 339 | Lazard Freres | 433.3 |

Source: IDD Information Services, New York




# Management firm created in Florida

JACKSONVILLE, Fla. — Florida National Banks of Florida Inc. has created an investment management company to seek fully discretionary clients and emphasize balanced portfolios.

The new unit, Florida Investment Management Co., contracted with the bank's trust department, its only client so far, to run $595 million in tax-exempt assets from eight accounts. John P. Willoughby, FIMC president, said the accounts serve as a seed to get the new company started.

He said FIMC will remain distinct from the trust department and will seek its own clients. The trust department will continue to run about $1.6 billion, excluding the accounts contracted to FIMC.

FIMC expects to start marketing in October, focusing mainly in Florida, said Mr. Willoughby.

"We're not attempting to go national at this point," he said, noting, however, the firm will seek some accounts from other states.

He said FIMC is considering offering performance fee-based accounts, although it isn't now prepared to offer them.

On brokerage, he said FIMC will stress execution, but will use some outside research, paying for it in soft dollars. FIMC has one research professional on staff.

FIMC will run only fully discretionary accounts, and plans to especially seek balanced accounts, Mr. Willoughby said. The unit set $1 million as the account minimum for both tax-exempt and individual clients.

FIMC has four portfolio managers. Two of them, including Mr. Willoughby, who was head of the Florida National's trust investment department, were longtime bank employees. The other two recently joined the trust department in anticipation of moving to the new investment unit, he added.

The four will jointly make investment decisions and policy, he said.

Their style is active, value- and growth-oriented.

He said FIMC plans to limit its clients to a small, still undefined, number to maximize service to each. ■

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# Cash Management

## Ratings put kick in Euro-offerings

By Fred Williams

NEW BRUNSWICK, N.J. — One of the primary motivations corporations have for turning to the Eurocommercial paper market — the absence of investor demand for a credit rating — may have lost some of its attractiveness.

Johnson & Johnson's $100 million Eurocommercial paper offering, originated in February, met with slow response. Investor interest picked up only after the company received prime ratings of A-1 and P-1 from Standard & Poor's Corp. and Moody's Investors Service Inc., respectively, when it began a domestic commercial paper program in July, said Andrew Markey, treasurer at the New Brunswick, N.J.-based health-care products company.

He said the company sought the rating because interest rates are better domestically.

The Europaper offering by Johnson & Johnson was the company's first publicly traded debt, said Mr. Markey.

"We had expected a little more interest," he noted. "I don't know whether it was due to market conditions or because we were not rated, but we didn't get as much action in the Euromarket as we had expected.

"The absence of a rating does limit the amount you will sell" in the Europaper market, he added.

"It is true that two or three years ago you didn't need to have a rating, but . . . as time goes on, the discipline and structure of the market is changing and it is now more important to have a rating (to enter the Europaper market)."

Mr. Markey said the response was so slow to the Johnson & Johnson Europaper offering that he put off issuing additional paper. "I would have gone another $100 million," he said.

Johnson & Johnson now has about $1 billion in short-term debt, practically all of it commercial paper, he said.

Johnson & Johnson is working with the commercial paper dealing units of Chase Manhattan Bank and J.P. Morgan & Co.

Johnson & Johnson is not the only company that has found a commercial paper rating valuable to its Euromarket efforts. Brian Clarke, Chicago-based vice president for First Chicago Clearing Center in London, said many U.S. Euromarket issuers are finding ratings helpful.

"We are seeing more and more U.S. companies getting rated before entering the Euromarket. It is becoming a more competitive market and many issuers are not household names," he explained.

"A rating is a quick and easy way for investors to grade an investment — one way to determine the quality of an investment. We are even seeing a little more pressure on non-U.S. issuers to consider ratings," said Mr. Clarke.

"If the investor is given a choice between rated and non-rated paper, he will more than likely take the rated because it does give the investor a basic way to assess

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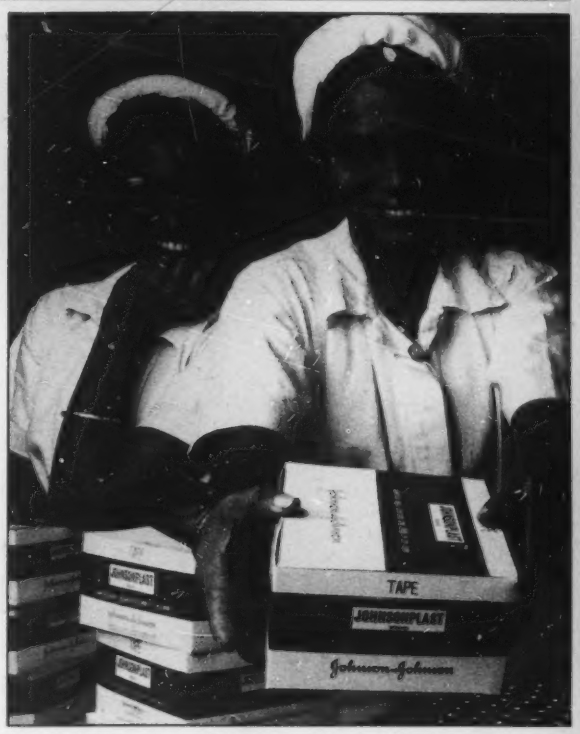



*Johnson & Johnson, a health-care products company, saw its Eurocommercial paper offering pick up only after receiving prime ratings for a domestic program.*

### Scudder, Stevens & Clark corporate cash matrix

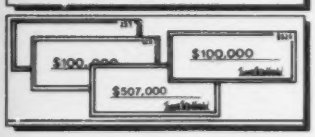
| | Yield | | | | Total return | | | |
|---|---|---|---|---|---|---|---|---|
| | August 31 | | 3 mos. ago | | 1 yr. ago | | Latest 3 mos. | | Latest 12 mos. | |
| **30-day** | | | | | | | | | | |
| Prime commercial paper/CD/BA* | 6.86 | 4.12 | 6.75 | 4.04 | 5.58 | 3.01 | 1.76 | 1.05 | 6.50 | 3.73 |
| Prime tax-exempt commercial paper | 7.50 | 4.50 | 7.17 | 4.30 | 8.57 | 4.63 | 1.77 | 1.06 | 7.29 | 4.22 |
| **49-day** | | | | | | | | | | |
| Auction-rate preferred stock (AAA-AA-A composite) | 7.37 | 4.40 | 8.12 | 4.87 | 7.73 | 4.18 | 1.68 | 1.12 | 7.54 | 4.36 |
| **90-day** | | | | | | | | | | |
| Treasury bill | 6.37 | 3.82 | 5.85 | 3.51 | 5.20 | 2.81 | 1.54 | 0.92 | 5.88 | 3.38 |
| Prime commercial paper | 7.02 | 4.21 | 6.84 | 4.10 | 5.45 | 2.94 | 1.85 | 1.11 | 6.24 | 3.59 |
| Prime tax-exempt commercial paper | 7.25 | 4.35 | 7.30 | 4.38 | 8.50 | 4.64 | 1.73 | 1.05 | 7.05 | 4.08 |
| **1-year** | | | | | | | | | | |
| Treasury bill | 7.06 | 4.24 | 7.00 | 4.20 | 5.93 | 3.20 | 1.30 | 0.80 | 4.42 | 2.54 |
| Prime municipal note | 7.67 | 4.60 | 7.17 | 4.30 | 9.37 | 5.06 | 1.37 | 0.82 | 7.54 | 4.36 |

The matrix is at a constant maturity, meaning all instruments are rolled over monthly. Income is taxed at 40% for 1987 and 46% for 1986; capital gains and loses are taxed at 34% for 1987 and 46% for 1986.
* CD is certificate of deposit; BA is banker's acceptance

pretax
after-tax

## ARA looks at banking services

**Cash accounts**




PHILADELPHIA — ARA Services Inc. bought an account analysis evaluation program from Treasury Strategies Inc., Chicago, to analyze prices and services of 60 banks it uses for cash management, said Susan Hardy, treasury analyst.

"It makes it easier to spot errors and overcharges," she said of the Treasury Strategies product.

She said the company paid $6,000 to $7,000 for it.

The company also looked at an account analysis product of Phoenix Hecht, Northfield, Ill., she said.

ARA had been doing its evaluation manually. It uses 900 banks in all for cash management services.

### *Analysis adopted*

HOUSTON — Houston Industries Inc. contracted with Phoenix Hecht, Northfield, Ill., to evaluate its bank account analysis statements by computer, said Margo Whitt, supervisor-cash management for the energy company.

The company will analyze the statements of 25 to 30 accounts from its major cash management banks: Texas Commerce Bank, First City National Bank, MBank and First RepublicBank Dallas.

She said the computer evaluation will enable Houston Industries to more closely examine individual bank prices and services as well as comparing banks.

"We were looking at it by hand," said Ms. Whitt of the way the company formerly evaluated its account analysis statements.

"We weren't even entering it into a data base."

She noted the company still receives separate statements from RepublicBank and InterFirst Bank, the two predecessor banks that form First RepublicBank. She said First RepublicBank will eventually merge the two accounting systems and send one statement.

The company hasn't used the Phoenix Hecht evaluation much, although it has had it for several months, because of other projects and because the program has been slow when used with spreadsheet analysis, said Ms. Whitt and Rebecca McCulloch, treasury analyst.

They said they expect Phoenix Hecht to improve the program to make it easier and faster to use for spreadsheet analysis and able to accommodate more data.

With the program, the company sends its bank statements

*Continued on page 33*

## Bayer mulls changes in bank set-up

By Barry B. Burr

PITTSBURGH — One of Bayer USA Inc.'s units, Mobay Corp., plans to re-evaluate its lockbox banks as a result of its switch to receive payments electronically instead of by check from General Motors Corp.

Bayer, in a separate evaluation, has bidding under way for several other cash management services provided for its subsidiaries to decide if a restructuring of its bank relationships is necessary.

The services involve cash concentration, wire transfer, payroll controlled disbursement and collection provided to six units — Miles Inc. (formerly Miles Laboratories Inc.) of Elkhart, Ind.; Mobay Corp., Pittsburgh; Deerfield Urethane Inc., Deerfield, Mass.; Haarmann & Reimer Corp., Springfield, N.J.; NRC Inc., Newton, Mass.; and Wyrough & Loser Inc., Trenton, N.J.

Bayer USA, formerly based in New York and called Rhinechem Corp., is a unit of Bayer AG of Leverkusen, West Germany. NRC is a joint venture between Bayer and Hermann C. Starck Berlin KG.

R.W. Heins, treasury analyst, said Bayer USA retained Pittsburgh National Bank to conduct a lockbox study for Mobay. The other cash management evaluations are being done in-house, he added.

He said Mobay, a plastics supplier, recently agreed to receive payments electronically from its major customer, General Motors, based in Detroit and New York.

Mobay hired Pittsburgh National Bank to receive the electronic payments. As a result, General Motors' payments will no longer go to Mellon Bank in Pittsburgh, one of Mobay's lockbox banks.

He said the lockbox study will also look at the possibly of Mobay receiving electronic payments from other vendors, such as those in the chemical industry.

"We do anticipate it (electronic payments from vendors) will be growing, in addition to the GM and the federal government's vendor express programs," he said. The Treasury Department recently announced plans to begin paying vendors to some government departments through the automated clearinghouse.

Mr. Heins expects General Motors to begin the electronic payments to Mobay soon.

Mr. Heins said Mobay decided to use Pittsburgh National, a bank on General Motors' disbursing network for the electronic payments, although Mobay could collect the receipts at any bank.

"If you don't go with a network bank, you're asking for problems," he said.

He said the company looked at other banks on General

*Continued on page 33*

# Pension . . .

*Continued from page 1*

tinue." He estimates net corporate pension contributions fell to $5 billion last year from $48 billion in 1983 and that further growth in surplus could lead to negative net contributions in 1988, that is, when annual benefit payouts exceed cor- porate contributions.

But he notes a major offset to the selling of stocks by sponsors has come from corporations buying back their stock or buying shares in other companies. "Indeed, the boost in corporate profits may accelerate this trend," he states in the report.

The first eight months of this year witnessed two divergent market movements — a dramatic rise in the equity markets and a substantial decline in fixed-income securities' prices — to produce an ideal environment for nurturing pension plan surplus, according to the Salomon report.

In an interview, Martin L. Leibowitz, managing director at Salomon Brothers in New York, calls the huge surplus a "corporate treasure chest."

One investment implication, he said, is that sponsors with huge surplus ratios might seek to reduce their risk tolerance to a very low level to avoid losing the "prize" that already has been won, so the surplus ratio isn't a hostage to market forces as it has been.

Some sponsors might look for an investment strategy to insulate the surplus ratio as much as possible from changes caused by the effects of rising and falling capital markets on pension assets and liabilities. Such strategies might include hedging techniques like surplus insurance or bond portfolio immunization. The authors, although not recommending any investment course, said such a policy depends on a sponsor's tolerance on risking the surplus.

But both studies show the volatility of pension surplus since 1980 and demonstrate how vulnerable the surplus is to capital market movements and can radically change from month to month.

They upset previous research conclusions made by investment banking analysts and pension consultants that corporate pension surplus has grown steadily in this decade as soaring investment returns dramatically increased pension assets.

"The sense of comfort in the stability and growth of funding ratios is unfounded," the Salomon study reports.

Both studies retroactively reexamine corporate pension liabilities under market interest rate assumptions required under the Financial Accounting Standards Board's Statement 87.

Going back to 1980, the studies recalculate accrued pension liabilities using the FASB 87 market interest rates, instead of the more conservative actuarial interest rate assumptions of the Accounting Principal Board's Rule 8.

Their findings show that for most of the years since 1980 the rise in pension liabilities caused by falling interest rates has outpaced the dramatic rise in pension assets caused by exceptional investment returns.

Mr. Leibowitz, along with two Salomon colleagues, Lawrence N. Bader, vice president, and Ardavan Nozari, analyst, re-examined on a FASB 87-equivalent basis the pension liabilities and assets of the Fortune 500 companies. The study accepts asset values as reported by the companies, but adjusts liabilities with market interest rates as the discount factor instead of the non-market actuarial rates used by the group.

Jeremy Gold, principal in the New York office of Morgan Stanley, has a more abstract analysis, although it uses a similar methodology. It computes the changing pension surplus of a fictitious "typical plan," showing only the capital market effects on pension liabilities and assets. To arrive at asset value, Morgan Stanley assumes the typical plan has kept an asset mix of 60% in the Standard & Poor's 500 stock index, 30% in 10-year government bonds and 10% in three-month Treasury bills. Pension liabilities represent those of a typical sponsor, Mr. Gold added.

Both studies show surplus ratios — the market value of pension assets to the discounted value of accrued liabilities — have been highly erratic rather than the smooth growth as perceived.

The aggregate Fortune 500 ratio for year-end 1980, as actually reported by the companies using non-market, pre-FASB interest rate assumptions, was 99%, meaning the pension plans were slightly underfunded.

By contrast, the Salomon study discounted the same liabilities using FASB 87 market interest rates, finding the ratio in 1980 was 186%, meaning the plans actually had nearly double the assets over liabilities.

Morgan Stanley's market-adjusted data puts the 1980 surplus ratio at 157.22% for a typical plan.

"People didn't recognize the (huge surplus) ratio in 1981," Mr. Bader said in an interview.

"FASB is the key issue," said Salomon's Mr. Arnott.

"In the absence of FASB, this (surplus) would have disappeared in a myriad of amortization schedules."

Mr. Leibowitz said the significance of the findings is that the true market value ratio is now visible. In 1980, under the old non-market assumptions, the huge surplus remained hidden. As a result, sponsors were unable to comprehend its significance and accordingly revise their investment objectives and corporate finance activities.

Their objectives had been to protect the pension liabilities when they should protect their surplus, he added.

The studies, however, don't account for any reductions in pension contributions sponsors conceivably might have made in the early 1980s had they reported such huge market-adjusted surpluses.

Despite the growth in assets, the studies show the huge market-adjusted surplus was erratic and declined by year-end 1986. As of the end of December, Salomon put it at 147%, while Morgan Stanley placed it at 132.96%.

But the past eight months witnessed a favorable rebound in the ratio. Salomon put it at 197 as of Sept. 1 and Morgan Stanley, at 167.05 as of Aug. 31.

The surplus ratio shows the extent the market value of pension assets exceed the accrued pension liabilities, discounted at current market interest rates. Mr. Leibowitz said the study didn't examine the liabilities of projected benefits, or those that take into account future service and salary increases because such data weren't disclosed by corporations before FASB 87.

An actuary consultant not involved in either studies, William Partridge, Wyatt Co., Chicago, was less sanguine about the huge surplus ratios, pointing out they show overfunding on a termination basis, not on a projected obligation basis, which considers a plan on an ongoing basis.

"On a termination basis, it's a very healthy plan," one with a ratio above 175%, he said. "But I wouldn't say the game's won."

"You need to understand the industry and particular company and look at (employment) growth prospects," he added.

He agreed, however, that companies with ratios above 175% reach or approach the point of not having to make contributions, though he noted that contributions are based on different actuarial methods than FASB's.

The intent of the studies is to get sponsors to focus on the surplus caused by changes in both pension assets and liabilities, the authors said.

The Salomon data, using Fortune 500 sponsors, takes into account other changes, such as in pension plan design, as well as capital market factors that cause the asset-to-liability ratio to rise and fall.

Mr. Gold noted the Morgan Stanley index identifies only the capital market forces that influence the surplus ratio.

He said Morgan Stanley plans to update its surplus ratio monthly and publish it as the Morgan Stanley Pension Surplus Index. Morgan Stanley set the initial ratio at 125% as of Jan. 1, 1980.

Mr. Gold said the new index will allow a sponsor to compare the performance of its own plan and analyze the reason for any difference.

The Salomon study noted a sponsor with a high ratio — one greater than 175% — has met all the objectives of funding and "has the prospect of not having to contribute to its plan, even allowing modest plan improvements, such as cost-of-living increases for retirees.

"Apart from cashing in on its surplus through a plan termination, the company has little tangible benefit to be gained by further surplus growth. At this point, the sponsor may view the rewards of extending the surplus as minimal (or possibly even negative). The sponsor's risk tolerance may, therefore, drop to an extremely low level, as the goal becomes to avoid losing the prize that has already been won."

The Salomon study projects year-end 1987 ratios, based on the current ratios and various market scenarios. Essentially, it shows that if both S&P 500 and interest rates fall during the next four months, the surplus ratio will erode significantly. If both rise, the ratio will increase accordingly. If the S&P 500 falls but interest rates rise, the ratio could be unaffected, depending on the amount of the market changes. But if the S&P 500 rises and interest rates fall, the ratio could erode somewhat.

Besides the 60-30-10 equity-bond-cash asset mix, the Morgan Stanley index shows the performance of the surplus ratios based on other investment strategies — all equities, all bonds, all cash or all immunized bonds. Those aggressive strategies produced highly erratic ratios as well since 1980.

For example, the Morgan Stanley index 100% invested in equities, since Jan. 1, 1980, would have seen the surplus ratio change from 174.37% at year-end 1980 to 172.42% at 1981, to 150.59% at 1982, to 179.36% at 1983, to 161.06% at 1984, to 155.19% at 1985, to 146.34% at 1986, to 209.65% Aug. 31.

The all-bond and all-cash investment strategies produce similarly erratic ratios, rising to respective highs of 134.81% and 184.8% and ending, respectively, at 115.68% and 103.93% Aug. 31.

The all-immunized strategy showed the ratio stayed at 125%, where it initially was set. ■

## Pension surplus ratios

| Year-end | Market adjusted: Salomon Brothers[1] | Market adjusted: Morgan Stanley[2] | Pre-FASB 87 Fortune 500[3] |
|---|---|---|---|
| 1980 | 186% | 157.22% | 99% |
| 1981 | 235 | 160.24 | 111 |
| 1982 | 169 | 142.32 | 114 |
| 1983 | 204 | 161.03 | 126 |
| 1984 | 199 | 149.99 | 133 |
| 1985 | 155 | 141.58 | 134 |
| 1986 | 147 | 132.96 | NA |
| 1987[4] | 197 | 167.05 | NA |

[1]Shows ratios for Fortune 500
[2]Shows ratios for a "typical plan"
[3]As reported by companies using non-market rates
[4]Estimates as of Aug. 31/Sept.1

Source: Salomon Brothers Inc. and Morgan Stanley & Co., New York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*Pensions & Investment Age* welcomes letters to the editor.

All letters should include name, address and, if appropriate, the company of the writer.

The editors reserve the right to edit any letter for reasons of space or clarity.

## Quantitative managers - a comparison

| | $ mil. | Commission per share (¢) | Turnover annual (%) | Stocks in portfolio | Performance ended June 30 1987* | 1986 | 1985 | 5-yr. compound annual |
|---|---|---|---|---|---|---|---|---|
| Advanced Investment Mgmt. | 175 | 6-7 | 101 | 50 | 15.2% | 51.8% | 36.3% | 26.5% |
| Aronson & Fogler | 200 | 2.6 | 88 | 250 | 15 | 40.4 | — | — |
| Boston Co. | 1,500 | 3 | 30 | 75-90 | 19.2 | 37.1 | 37 | 29.5 |
| Denver Investment Advisors | 400 | 5 | 125-150 | 25 | 11.1 | 36.6 | 37.3 | 29.7 |
| Disciplined Investment Advisors | 500 | 4 | 60 | 50 | 29.9 | 39.2 | 32.7 | 33.2 |
| Franklin Portfolio Associates | 1,000 | 5.3 | 90 | 38 | 25.1 | 36.9 | 41.6 | 37.1 |
| Gradison & Co. | 63 | 9 | 35 | 25-40 | 17.9 | 45.5 | 33.5 | -- |
| Grantham Mayo Van Otterloo | 1,800 | X | X | 300 | 21.6 | 39.3 | 37.9 | — |
| Harris Trust & Savings Bank | 83 | 7 | 50 | 55 | 19.5 | 37.1 | 44.6 | — |
| Matrix Capital Mgmt. | 898 | 3.3 | 90 | 115 | 22.4 | 42.5 | — | — |
| Mellon Equity Associates | 3,100 | 7 | 80-100 | 90 | 23.8 | 40.3 | 38.5 | — |
| Miller Anderson & Sherrerd | 1,100 | 7.4 | 50-64 | 110-160 | 12 | 38.6 | 47.4 | — |
| Paribas Asset Mgmt. | 400 | 5 | 80 | 60 | 19.7 | 39.3 | — | — |
| Rosenberg Institutional Equity | 2,300 | 5 | 100 | 225 | 26.8 | 43 | — | -- |
| Trinity Investment Mgmt. | 4,760 | 5 | 48 | 65 | 25.8 | 21.5 | 42.3 | 30.7 |
| Wedge Capital Mgmt. | 263 | 7 | 65 | 32 | 23.7 | 46.6 | 36.7 | — |
| Standard & Poor's 500 | | | | | 25.2 | 35.9 | 31 | 27.9 |

* for 12 months
X would not disclose information
Source: Data are from the managers for their unhedged, quantitative strategy run for tax-exempt clients and invested in domestic, larger-capitalization stocks.

# 'Quant' . . .

*Continued from page 3*

At Xerox Corp., Stamford, Conn., Gerald J. Paolini, manager-trust investment strategy, said, "I would expect quant managers to trade for below average (in terms of cost of commissions per share), because they don't get the benefit of research."

Xerox uses a quantitative approach in investing some of its $2.3 billion in employee benefit assets with outside managers.

Theodore R. Aronson, partner at Aronson & Fogler, agreed with Mr. Paolini.

He reasoned commissions paid per share should be lower for quantitative managers because they are buying a widely diversified portfolio of stocks, whose trading isn't driven by current events.

Stock "picking and trading are all done by machine," he added. "It's usually a machine-to-machine transaction. If that isn't worth some saving, then what are all these cuts on Wall Street?" He was referring to recent personnel cuts at brokerage firms.

Typical equity managers generally pay higher commissions because they seek analysts' opinions, first calls on new issues and other research advantages, he said. "All that has costs attached to it," Mr. Aronson added.

"Aronson & Fogler totally unbundles trading from fees," he added. "We don't do anything for soft dollars."

Daniel J. Schweihs, principal, Disciplined Investment Advisors, said his firm doesn't buy outside research, "so we should have lower commission costs."

He suggested quant managers paying higher-than-average commissions might be paying for marketing assistance or other services.

"I don't think they will do it long term," he added. "Their plan sponsors will require them to lower their commissions."

At Mellon Equity Associates Corp., Pittsburgh, Geoffrey Gerber, senior vice president, said, "We're lucky to have a very good trading desk." He said his firm's trades are pooled with all trades of all Mellon Bank's other investment affiliates, excluding Mellon Capital Management Corp., San Francisco, which runs indexed funds, to reduce costs through economies of scale.

Mr. Aronson suggested sponsors not let the price of commissions override all other investment considerations.

"I don't think sponsors should be uptight if commissions are 8 cents or a dime," he said. "If (total) fees" — trading costs plus investment management fees — "are lower, it all comes out of the same pocket, so what's the difference?"

He noted although his commissions are lower per shares, Aronson & Fogler's investment management fees "are high," 1% of assets run. Even so, he said, Aronson & Fogler's total costs — commissions plus fees — ought to be about as low as those quantitative managers that charge low fees but pay high commissions.

The use of quantitative strategies is relatively new but growing rapidly (*P&I Age*, Sept. 21).

About one-third of the managers surveyed entered the field in the past two years.

Fewer than half have been running money in the strategy for at least five years.

Some of the biggest managers, in terms of assets in the strategy, are among the newest, including Rosenberg Institutional Equity Management, Orinda, Calif., which was started by Barr Rosenberg two years ago and now has $2.3 billion from 19 tax-exempt clients.

Trinity Investment Management Corp., the largest quant manager, with $4.7 billion from 89 tax-exempt clients, is one of the oldest, begun in 1981.

Other data were more difficult to compare. For example, methods for calculating betas, a measure of volatility, varied among managers.

Some calculate their beta on a prospective basis; some run a regression, based on their actual portfolios to arrive at it; and some use historical data. As reported by the managers using varying methods, betas ranged from 0.88 to 1.2. ■

**Money movers, a section which details new allocations to managers from tax-exempt funds, appears in each issue of *Pensions & Investment Age*.**

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# Reversion . . .

*Continued from page 3*

Life Insurance Co., New York, and $10 million from Lincoln National Pension Insurance Co., Fort Wayne, Ind. It will purchase more annuities in January.

After reviewing eight or nine competing bids from 15 different insurance companies, Ceco chose "the highest quality companies that offered to do it for the lowest premium," Mr. Rohwedel said.

There will be no changes in pension staff as a result of the termination.

The new plan will be an account-based defined benefit plan in which each employee has an account earning a fixed, guaranteed rate of return. Bank of America Corp., San Francisco, is among the small group of companies using the new type of plan.

"It combines the best worlds of a defined benefit and defined contribution plan. Usually those plans are pretty expensive to provide if the (employee) population is a mature group," said Gary Montesano, a consultant at William M. Mercer-Meidinger-Hansen Inc., New York.

But in the case of Ceco, the plan "will provide some cost savings and it's more flexible and easier to administer" than ordinary defined benefit plans, said Nancy Nasser, manager of corporate pension administration.

The new salaried account-based defined benefit plan will credit to each employee's account 4% of FICA-taxable earnings and 8% in excess earnings of the taxable wage base at the end of each year, Ms. Nasser said. ■

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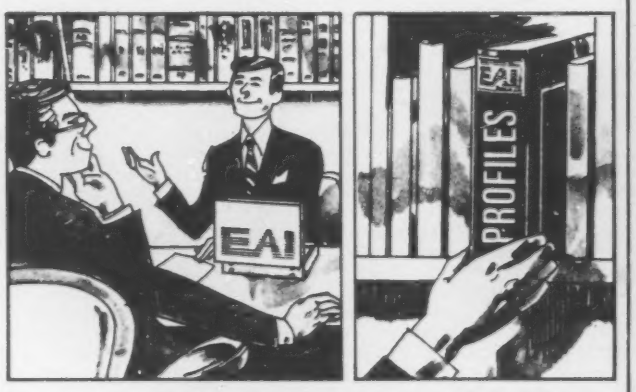


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# LDC debt . . .

*Continued from page 1*

manager with about $130 million in assets, declared: "I'm not sure anyone can make it attractive enough. You can't pay me enough to compensate for the risk. American institutions can't make a case for us that we've made a prudent investment."

Institutional investors view the risk inherent in Third World debt as mind-boggling and very hard to assess.

"It's a different ball game," said Landon Thomas, vice chairman of Fiduciary Trust Co. International, a New York global manager with $17 billion under management. Mr. Landon, who thinks the idea of selling Third World debt to investors has merit, nevertheless, cites the need for a "whole different kind of country analysis."

Institutional investors say they aren't equipped with the expertise or analytical tools to examine and quantify the risk associated with rampant economic and political instability, gyrations in foreign currencies and hard currency availability in a given country, and the potential for default in the developing world.

Many investors also questioned how soon the liquidity of the relatively small market would increase and attract more participants.

"You need people to make markets in these things," said Richard Lindquist, assistant vice president at T Rowe Price Associates.

Investment bankers expect the secondary trading market in less developed countries' bank loans to grow rapidly during the next few years and to begin to attract non-financial institutions.

Today, trading volume is relatively small, at more than $8 billion, compared with the $350 billion potential size of the market, according to Salomon Brothers Inc., New York. Trading is dominated by banks, which use the technique to make portfolio adjustments.

Salomon Brothers predicts trading volume may reach $10 billion to $15 billion face amount by year-end 1987.

Active participants today are about 250 banks and 50 non-financial institutions, up significantly from only 50 banks a few years ago.

Corporate pension fund executives and money managers with fiduciary responsibility for the investments they make on behalf of their companies or clients said they don't consider Third World debt a prudent investment. Managers of pension funds that fall under the Employee Retirement Income Security Act, including corporate pension funds, must meet the "prudent man" rule. "As a fiduciary I have a real problem with this," Mr. Sullivan said.

Leonard Chaikind, administrator of the $5.8 billion pension fund of Shell Oil Co., Houston, said he thinks Third World debt would be too risky for a pension fund. "It wouldn't be a prudent investment," he said.

These investors think it would be hard to make a convincing case for Third World debt to their bosses or the investment committees that oversee investment plans.

Investors also worry there is no way to adequately guarantee countries will make their payments, not default on their payments or unilaterally decide to stop making payments.

Nor do they see Third World debt investments in the same light as straight equity investments in a private-sector business in a particular country. For them, a debt investment is viewed as much riskier than the more common investments in the stocks of companies in developing countries that are traded on foreign stock exchanges. They see Third World debt investments as a big jump from pure equity investments, not necessarily a logical next step in line with the globalization of the market.

Current yields based on Sept. 25 market prices

| Country | Price | Yield* (%) |
|---|---|---|
| Argentina | 39.5 | 23 |
| Brazil | NA | NA |
| Chile | 57.5 | 15.8 |
| Colombia | 81 | 11.3 |
| Ecuador | NA | NA |
| Mexico | 47.5 | 19.2 |
| Peru | NA | NA |
| Philippines | 66.5 | 13.9 |
| Poland | 43 | 21.2 |
| Romania | 87.5 | 10.4 |
| Venezuela | 56.5 | 16.2 |
| Yugoslavia | 66 | 13.8 |

* Yields calculated assuming average LIBOR of 8.125% and average spread of 1%, equals a 9.125% current coupon
Source: Shearson Lehman Brothers, N.Y.

"I'm leery of the debt side," said Dan Jacobs, vice president at Templeton International, Fort Lauderdale, Fla., which has about $9.6 billion under management. "We'd rather buy stocks in these countries than debt."

Investors also said current yields, which range from 10% to 23%, aren't high enough to attract them. They agree yields would have to be in the 25% to 30% range to bring them in as buyers.

"The yields haven't gotten to the right level yet," said David Fisher, chairman at Capital International Ltd., a subsidiary of The Capital Group Inc., which manages more than $35 billion. "But they will."

Some investors said there are plenty of solid, lower-risk foreign investment opportunities for them to tap than investing in Third World debt.

And there are other more incidental concerns, including worries that such investments would mean administrative nightmares. For many global investors, investing in foreign equities has meant major administrative headaches. They worry Third World debt investments will mean more of the same.

While most institutional investors will clearly be a hard sell when it comes to buying Third World debt, there are a few exceptions.

"This is the same way people reacted to securitization of the mortgage market a few short years ago," said David G. Bronner, chief executive officer of the $5.4 billion Retirement Systems of Alabama, Montgomery.

"But then the spreads got right and the AAAs came," he said, and the unconverted "started listening."

Mr. Bronner said if Third World debt investments were structured properly, offering protections investors desire such as letters of credit, they eventually will attract investors to the market.

"It'll take time, but we (institutional investors) will one day be an important factor in the market," Mr. Fisher of Capital International said. ■

# Bankers hard at work

NEW YORK — Lured by the potential of a largely untapped multibillion-dollar mound of Third World debt, just about every major Wall Street investment bank is working on a way to transform the debt into bonds and other securities that will attract institutional investors.

Drexel Burnham Lambert Inc., Merrill Lynch & Co., Salomon Brothers Inc. and Shearson Lehman Brothers Inc., all of New York, and others are putting lots of time, effort and money into figuring out how to package the loans and sell them to investors in the form of high-yield, high-risk bonds and other securities. A few countries also are promoting their own ideas.

Bankers and developing country finance ministers agree on two things: the effort calls for a new way of thinking about a very old crisis, and institutional investors are not going to take the plunge easily.

"Saying there is broad-scale institutional investor interest in acquiring these assets is whispering in the wind," said Jay H. Newman, senior vice president at Shearson Lehman.

"This is an emerging market. It'll take time. These have to be made attractive to lure them in."

Still, the bankers are confident they can devise various instruments to transform debt into securities in such a way that investor concerns will be eased and they will view the investments as attractive.

"What will make institutional investors buy? Stability in the Third World first and foremost," said John Heimann, vice chairman of capital markets at Merrill Lynch. "The problem won't be solved by innovative financial instruments. It will be by stabilizing payments and building confidence. Then the new instruments will flow and the investors will be there."

In the meantime, Wall Street bankers are trying to adapt standard financing techniques for sovereign debt and develop totally new structures for Third World debt instruments.

Salomon Brothers officials are studying how exchange offers used for corporate restructurings, an as-yet untried technique for restructuring less-developed countries' sovereign debt, might be applied. In exchange offers, existing loans are exchanged for new securities.

Stephen W. Dizard, vice president and senior trader in Salomon Brothers' international loan trading group, said sovereign and corporate exchanges share certain characteristics, although each has distinctive features. He said the characteristics of the less-developed countries' restructuring process indicates this type of refinancing has important but limited applications.

Drexel Burnham Lambert junk-bond king Michael Milken is hard at work on a scheme to securitize Third World debt. Bank debt would be purchased and traded for an equity investment in a solid revenue generator like a hydroelectric plant. Then the equity investment in essence would be used in fashioning an asset-backed security. Revenue from the plant backs the security.

At Shearson, Mr. Newman said the firm is focusing on equity, not debt, by syndicating projects like hotel resorts in Mexico. So far banks have been the main players, but he expects other non-financial institutions to be drawn to the idea later on.

"We think the first investments by institutional investors will be in equity investments, not high-yield instruments," Mr. Newman explained. "With equity deals, you can devise attractive structures and there are plenty of attractive equity investments in countries."

Meantime, teams of Wall Street professionals are working on ways to evaluate, measure and quantify country risk, which would go a long way toward alleviating perhaps the biggest concern of investors.

"It's hard to analyze the risk, but it can be done," said John F.H. Purcell, vice president-corporate bond research at Salomon Brothers.

Mr. Purcell is spending a good deal of time thinking and working on country risk analysis.

"We have to start from scratch. There are some truths about the risk that we can tell," he said. "We can isolate the variables that impact value; we can explain the characteristics of sovereign debt; we can quantify ability to pay."

Also on the drawing board are pools of Third World debt designed to spread the risk that would be somewhat similar to emerging markets growth funds.

Solutions to the Third World debt crisis have surfaced and faded for years on Capitol Hill, in banking and academic circles, and among developing country leaders and experts.

But in recent weeks, spurred by a host of developments on Third World debt, the issue is back at the forefront. The debt crisis and possible solutions were predominant topics at the International Monetary Fund's annual conference in Washington last week.

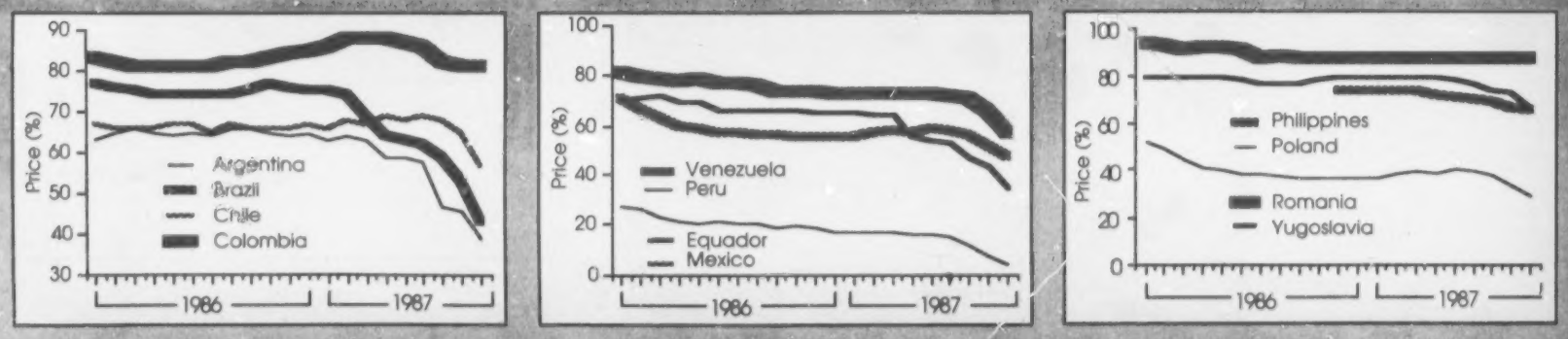
Ever since Citicorp took the bold step this summer of boosting its loan loss reserve by $3 billion and said it would reduce its loans to less developed countries by a third during the next three years through debt-to-equity swaps, attention has turned to the innovative ideas coming from Wall Street and borrowing countries.

Several securitization ideas have been floated by countries. Mexico and Brazil are looking at commodity-linked securities, which could be tied to oil revenue for major producers. Brazil has mentioned performance-related securities. Various countries have cited zero-backed securities. Credit-enhanced instruments, perhaps with a role for the World Bank, also have been suggested.

Debt-equity swaps also are generating some attention from multinational companies that may consider using the swaps as a way to capitalize the operations of overseas affiliates.

*— Marcia Parker*

## Prices of sovereign debt (as a percentage of face value)




Source: Shearson Lehman Brothers Inc., New York

# Claim . . .

*Continued from page 2*
at creating jobs.

The assets under Tower's management included $25 million from the union's individual retirement account plan and $6.5 million for the much larger defined benefit plan, now exceeding $600 million in assets.

The 2nd U.S. Circuit Court of Appeals upheld Sept. 17 a ruling that Tower Asset funneled those assets into 26 companies for which its investment banking parent, Tower Capital Corp., and broker-dealer unit, Tower Securities Inc., were arranging financing. (The firms are not related to Tower Capital Management Inc., Avon, Conn.)

In addition, the three principals of the firms — Andrew A. Levy, Samuel Kovnat and W. Randolph Wheeler — were found to have had equity stakes or controlling interests in some of the companies.

However, the three companies and their principals denied having fiduciary responsibility for the investments, saying they had made some of the investments at the direction of some of the labor trustees. In particular, they argued Mr. Lowen directed the firm to invest in certain projects that would create jobs for union members.

Mr. Lowen's court papers denied those charges, as well as others made by the Labor Department and by plan participants. He declined to comment on the litigation.

Attorneys for Tower and the Labor Department also declined to comment.

But it is all bad news for the Linthicum Heights, Md.-based union, which represents some 10,000 members who work as deck officers on oceangoing vessels, tugboats, barges and other ships.

Like the rest of the merchant marine industry, the Masters, Mates and Pilots union has fallen on hard times. Oceangoing ships under contract have declined to 100 from 340 in 1982 and about 1,000 in 1968, said Mr. Hayes.

Mr. Hayes, who was involved in filing one of two class-action suits against the trustees, claims he was thrown off the retirement plans' board of trustees in June 1985 after he questioned Tower's investment activities. In addition, he won reinstatement to his union post earlier this year after he was discharged for circulating among union members an article on the Labor Department's lawsuit against the trustees and Tower.

Mr. Lowen — who also serves as chairman of the investment committee — with perhaps the help of one or two other union officials, arranged for Tower Asset Management to invest defined contribution plan assets in maritime-industry companies, according to Mr. Hayes, Tower defendants and the Labor Department.

The contract was approved in 1983 by the board of trustees; sources claim management trustees were unaware of the arrangement to focus investments on the maritime industry.

An initial allocation of $15 million of the defined contribution plan was boosted to $25 million before Tower took control of the assets April 14, 1983.

A second contract with Tower, involving some $6.5 million of the defined benefit plan's assets, was executed Nov. 9, 1984, to help finance the "acquisition of seven more ships which the trustees had already determined to acquire in a joint venture" with another individual, Tower defendants allege.

Tower invested a total of $9.15 million in American Heavy Lift Shipping Co., which then bought five tankers and two heavy-lift cargo ships from Gulf Oil Corp.

In June 1985, Mr. Lowen reportedly directed Tower Asset to stop making investments except in government securities or to protect existing holdings, and alerted the Labor Department the firm might have violated ERISA.

The trustees fired Tower Asset Nov. 4, 1985, transferring the assets to 655 Associates, a subsidiary of The Gabelli Group Inc., New York. A Nov. 22, 1985, report to Mr. Lowen from a Gabelli subsidiary cited concern "that a number of the portfolio companies have either gone out of business or are insolvent with substantial current liabilities."

In particular, four companies of which the plans owned 100% of the common stock lacked money to cover their interest payments, the report said. Three of those companies were in the maritime area — including American Heavy Lift — and the fourth was a real estate concern.

In December 1985, the union plan trustees sued the Tower companies and principals, charging them with violations of their fiduciary obligations under ERISA.

However, publicity of the investments led to two class-action suits by plan participants against both the Tower defendants and the plan trustees. The suits later were consolidated.

In February 1987, the U.S. District Court for the Southern District of New York held the Tower defendants had received fees and commissions totaling $1,087,787 or stock interests or both from at least 26 companies in which plan assets were invested. The court ordered the defendants to turn over the fees plus the plans' then-undetermined investment losses.

In March 1987, the Labor Department separately filed suit against the trustees and Tower defendants. In an amended complaint filed in June, the department claimed the trustees did not conduct any independent investigation of the money manager, failed to monitor the investments and did not solicit bids from other investment advisers.

The department further charged Tower had failed to adequately diversify the investments, noting 20% of the defined contribution plan's total assets were invested in risky maritime-related ventures, while virtually the entire $6.5 million pension plan account was invested in such companies.

Echoing charges made by Tower, the department also said Mr. Lowen and trustees Allen Scott and Lloyd Martin directed some of the investments and participated in negotiations concerning the investments.

The Labor Department alleged that as of Tower's termination, the value of the defined contribution plan account was down to $7.7 million from $25 million, while the pension plan account had shrunk to $1.8 million from $6.5 million.

In a strongly worded decision, the appellate court held Tower defendants could not avoid fiduciary responsibility: "Under ERISA, an investment manager's fiduciary obligations may not be turned on and off like running water."

Five days later, a federal magistrate concluded the plans had incurred damages of $34.2 million in lost principal and income stemming from Tower's management. Some of the assets, however, have appreciated substantially since Tower was fired.

# First Boston . . .

*Continued from page 3*
the bond market slump, which kept some issuers on the sidelines. The bond market's lack of direction proved to be vexing to issuers, said Robert G. Scott, a managing director at Morgan Stanley & Co.

"The market was difficult in that it was dominated by technical considerations like the dollar and the trade balance," Mr. Scott said.

"We had many weeks during the third quarter when the market was very focused on a particular technical situation like the trade deficit and in many cases these announcements turned out to be inconclusive and just didn't provide direction to the market."

Drexel Burnham Lambert Inc., jumped to fifth place overall after ranking seventh in the second quarter.

Drexel made its gain despite speculation about a federal inquiry into some of the firm's dealings.

"As time goes on, it's less of an issue in terms of soliciting business," said Gerald L. Brodsky, a managing director at Drexel.

The firm's ranking among bulge-bracket firms resulted in part from the $1.5 billion high-yield debt deal for E-II Holdings, a newly formed company that operates businesses formerly owned by BCI Holding Corp.

PaineWebber Inc. made the biggest move in the overall rankings, catapulting to 10th after placing 20th in the second quarter.

Jack Perkowski, PaineWebber's director of investment banking, played down the jump, saying 20th place was an aberration for the firm.

The firm's third-quarter decision to start underwriting closed-end funds accounted for some of its rise in the tables, Mr. Perkowski said.

A $1.26 billion high-yield debt offering for Harcourt Brace Jovanovich Inc. helped put First Boston in the top spot.

"It was kind of our turn to come to the party," said Robert L. Cooney, a managing director. "We have continued to penetrate new sections of both the equity and high-yield markets."

He attributed some the firm's strong third-quarter showing to its merchant banking activities.

In the HBJ recapitalization, First Boston provided a $901 million bridge loan that was repaid with part of the Sept. 18 high-yield debt offering.

Merchant banking, in which investment banks make short-term loans to speed completion of a buy-out, also contributed to heavy volume at Merrill Lynch Capital Markets, which was sole manager of a $1 billion debt transaction for Borg-Warner Holdings Corp. and a $700 million deal for Supermarkets General Holdings Corp.

"Those financings are a reflection of our success in proposing leveraged buy-outs and then refinancing the bridge loans," said Barry S. Friedberg, director of investment banking at Merrill.

Acknowledging the risks involved in merchant banking, he said careful management and sound credit analysis are "what the control and measurement of risk is all about. We feel comfortable with what we are doing."

Merrill Lynch's role as the book manager in the $1.2 billion Citicorp equity offering — the biggest sale of stock in the quarter — also ensured its position among the bulge-bracket firms.

A merchant banking relationship in the buy-out of Burlington Industries Inc. helped Morgan Stanley & Co. become the sole manager in the $1.3 billion sale to the public of Burlington Holdings Inc. high-yield debt Sept. 23. Burlington Holdings also sold $384 million of debt to The Equitable Life Assurance Society of the United States.

"One of the things you notice when you look at the quarter is there was a lot of high-yield financing," said Morgan's Mr. Scott. "A lot of that financing was in the pipeline, basically associated with transactions earlier in the year."

The underwriting business looks strong for the fourth quarter, he added.

"More and more economists and market strategists are becoming pretty negative about the prospects for rates in 1988 and we are beginning to have conversations with issuers about pre-funding their 1988 requirements now. That could result in pretty substantial additional volume in the fourth quarter," he said.

Drexel officials expect a busy fourth quarter in the high-yield business, Mr. Brodsky said. "We see a tremendous inventory and volume that has to get done before the end of the year."

Much of the the fourth-quarter volume depends on the markets, Mr. Friedberg noted.

"Our fourth-quarter volume could be better than our third-quarter volume if the markets will let us get all the business off that we have in front of us." ■

# Bottom line . . .

*Continued from page 1*
tween 110% of termination liability and 150%, but once those liabilities and assets start to move around, it's going to be difficult for companies to maintain that level," said Richard Raskin, consulting actuary with The Wyatt Co., New York.

For some companies this will mean slower funding — at least at first.

"Companies with a lot of assets won't be hurt right away because they aren't going to contribute anything," Mr. Raskin said. "But at some point they are going to have to pay the piper."

The bill's provision, which would raise $3.9 billion during the next three fiscal years, is the most likely from among a list of revenue-raising options in the pensions area expected to be taken up the Ways and Means Committee this week.

The panel already has signaled its disapproval of employers using pension plans as a tax shelter. Earlier this year it approved a proposal doubling the 10% tax on reversions of excess pension funds to 20%. This adds to the probability the measure will be taken up.

Observers expect the Senate Finance Committee to hold off taking action on any similar pension proposal.

"The Finance Committee doesn't want to play 'Profiles in Courage' until they see what Ways and Means is going to do," said Stuart Brahs, executive director of the Association of Private Pension and Welfare Plans, Washington.

The Ways and Means Committee met behind closed doors Oct. 1, but did not vote on any proposals because of disagreements between Democratic and Republican members. At press time, the committee still was scheduled to reconvene on Oct. 7.

Both the House Ways and Means and Senate Finance committees are looking at a list of more than 200 revenue-raising options suggested by the Ways and Means and Joint Committee on Taxation earlier this year (*Pensions & Investment Age*, July 13).

The full-funding limit is considered vulnerable because it would raise $600 million in 1988 and $3.9 billion during the next three years and hasn't been as vociferously opposed as other options, according to sources on Capitol Hill and within the administration.

The measure is being opposed by the APPWP, which warned Ways and Means Chairman Dan Rostenkowski, D-Ill., in a Sept. 29 letter that "it is counterproductive to make arbitrary changes in limits for well-funded plans that could have a negative impact on their long-term financial security."

Companies with new pension plans and young work forces could be hit particularly hard by this change. Employers, in order to avoid being taxed, would inadequately fund their plans during the early years and would be forced to back fund as their work force grows older.

There could be problems in later years when the employer must contribute a much larger amount if for some reason it can't afford those payments.

Another disadvantage is the money wouldn't be there early to collect investment income.

"This increases employer real costs as well as shifting more of the costs to future years," not to mention further discouraging the establishment of defined benefit pension plans, according to APPWP's letter.

Last week, the Ways and Means Committee had been expected to close the loophole in the Tax Reform Act of 1986 that allowed an estate to exclude from taxation 50% of the sales of the stock of an ESOP. This option, which is not controversial even to the Employee Stock Ownership Plan Association, is still seen as a shoo-in.

This change would generate $1.3 billion in fiscal 1988 and $4.8 billion in the next three fiscal years.

Other options previously listed by the tax committee staff affecting pension funds and ESOPs, including a possible 5% tax on investment income of pension trusts and other tax-exempt organizations, are still on the table, but aren't seen as being in grave danger of making it into the budget reconciliation bill. ■

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# Pensions & Investment Age



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# Fund managers flee bonds

By Jacqueline Dutton

Pension funds moved a record amount of money out of bonds and into cash equivalents during the second quarter, a reaction to rising interest rates that, in turn, weakened institutional demand for bonds and fueled additional rate hikes.

Rising rates then increased the cost of capital for corporations and government.

In data gathered for its quarterly investment report to be released Oct. 26, the Employee Benefit Research Institute, Washington, said the bond market lost a net total of $5.9 billion during the second quarter, surpassing the record of $4.7 billion in the second quarter of 1985.

In addition, private pension funds liquidated $4.4 billion in stocks during the second quarter, only a fourth of the record net total of $16.7 billion in stocks they sold during the first quarter.

"It's not an incidental blip," Thomas Heneghen, director of Prudential Fixed Income Advisors, Newark, N.J., said of the bond shift. "It's part of an ongoing trend."

Mr. Heneghen said the EBRI numbers don't mean bond managers lost business. "We are seeing more and more portfolios reconfigured into dedicated and immunized bond portfolios," he said. With a rise in rates predicted and consciousness of the provisions of Financial Accounting Standards Board Statement 87 increasing, executives are more interested in covering long-term pension liabilities.

But Mr. Heneghen said pension fund executives aren't about to put all of their money into long-term, liability-oriented portfolios. The remainder of their bond assets have moved out of the intermediate- to long-maturity range and into short-term securities, because "this is where real returns will be made."

The tendency to move into short-term issues explains, in part, the outflow of funds in the bond segment of the EBRI data. According to Joe Piacentini, an EBRI researcher, the institute considers issues with maturities of less than one year to be cash, not debt, instruments.

Fixed-income managers at Oppenheimer Capital Corp., New York, have been finding more relative value in short-term bonds and have been moving money in that direction for six to eight months, said Robert Bluestone, director of fixed income.

Paula Trenier, senior vice president and director of fixed-income research at Frank Russell Co., a Tacoma, Wash.-based consulting firm, said Russell's clients are hiring short- and intermediate-term fixed-income managers. Although motives vary, she said, fund executives generally are shifting into shorter maturities for strategic purposes, including building up a reservoir of funds that can be liquidated easily to pay for unanticipated and constantly growing retirement


*Continued on page 66*


**At press time, the Maryland retirement systems announced it set up a $4 billion dedicated bond portfolio, after selling $2.3 billion in stocks in the largest equity trading and asset shift ever — Page 70.**

## Inside:


MOVING ALONG: Gulton Industries Inc., which manufactures bus destination signs, is helping put Mark IV Industries in the driver's seat. Mark IV is building an empire by acquiring small companies like Gulton — Page 58.

RICHES FROM RUINS: Associated Inns & Restaurants Co. of America is developing a resort amid the ruins of a Mayan village on the Yucatan Peninsula, being financed through an innovative debt-equity transaction — Page 51.


# Borrowers beat bushes for cheap debt finance

Average yield of new debt issues*

| Period | Average yield |
|---|---|
| Jan. | 9.418 |
| Feb. | 8.890 |
| March | 9.395 |
| April | 10 |
| May | 10.829 |
| June | 10.040 |
| July | 10.525 |
| August | 10.664 |
| Sept. | 11.038 |
| Oct.** | 11.362 |

* Excludes mortgage- and asset-backed issues as well as government agency issues
** Through 10/9/87
Source: IDD Information Services Inc., New York

By Brad Rudin

Corporate borrowers and their investment bankers, confronted with the highest interest rates in two years, are scurrying to fashion strategies that reduce the risks and costs of borrowing in a bear market.

Interest swap is becoming a more entrenched part of the new-issue debt market because of the rising rates.

"In a bull market when the 30-year (Treasury) note yields are attractive and industrial companies are using the public new-issues market because they see that long-term rates are attractive, a much lower propor-


*Continued on page 69*


Non-convertible fixed-yield debt issues*

| Period | Amount ($ mils.) |
|---|---|
| Jan. | 11,092 |
| Feb. | 10,396.3 |
| March | 12,510.4 |
| April | 6,289.4 |
| May | 6,718.4 |
| June | 10,631.7 |
| July | 11,067.6 |
| August | 8,116.3 |
| Sept. | 7,725.5 |
| Oct.** | 1,470.9 |

* Excludes mortgage- and asset-backed issues as well as government agency issues
** Through 10/9/87
Source: IDD Information Services Inc., New York

# Bill boosts ESOP role

By Nicky Robertshaw

WASHINGTON — Employee stock ownership plans would become powerful defensive weapons in the corporate anti-takeover arsenal under a bill reported out by the Senate Banking Committee.

The bill contains two key provisions enhancing the attractiveness of ESOPs in takeover situations:

- A company with at least 10% of its stock in an ESOP for at least six months would have 95 days — nearly triple the time that would be allowed other target companies — to fight off an outside takeover bid.
- ESOPs could tap surplus pension assets to launch a defensive bid; otherwise, surplus assets couldn't be used to finance takeovers by either management or corporate raiders.

"The lawyers will find a way to use the ESOP abusively," said Robert A.G. Monks, president of Institutional Shareholder Services Inc., Washington. If the bill becomes law, companies will set up "closet ESOPs" that will be activated in the event of a takeover bid so the company or an outside raider can reap the advantages, he said.

Mr. Monks noted members of management also serve as trustees for ESOPs in many cases, increasing the potential for abuse.

"I feel confident that the courts would not allow the ESOP trustee to do the wrong thing with the funds," said Leigh B. Trevor, a partner with the Cleveland law firm of Jones, Day, Reavis & Pogue and head of Stakeholders in America, a group of corporate executives.

While noting he had not yet studied the provisions of the bill, Mr. Trevor said because of the fiduciary requirement that trustees act in the interest of participants, any potential for abuse would be accompanied by scrutiny in the courts.

The two provisions were included in S. 1323, the Tender


*Continued on page 67*

# PBGC 'security interest' bid

By Nicky Robertshaw

WASHINGTON — Employers with severely underfunded pension funds would have to put up a security interest under a proposal intended to reduce the Pension Benefit Guaranty Corp.'s risk.

The proposal is one of six Assistant Secretary of Labor David Walker, the Reagan administration's top pension official, has vowed to push as pension reform legislation enters the final stages.

His other priorities:

- Establishing a variable-rate premium to ensure the agency can cover both current and future guaranteed benefit liabilities.
- Setting minimum funding standards and related transition rules to prevent the gross funding deficiencies that have resulted in significant losses to both participants and the PBGC.
- Preventing surplus pension funds from going to participants. Under proposals by the Senate and House labor committees, a cushion of 25% of termination liability goes to the participants if a plan terminates and the company would recoup more than 25% of the assets.
- Funding shutdown benefits, perhaps in a separate trust rather than through the minimum funding standards intended for basic guaranteed pension benefits.
- Clarifying the rules for floor-offset arrangements — the most hotly lobbied part of the legislation — to enforce diversification requirements that limit how much employer stock can be held in these plans.

The administration's hit list emerges as it becomes clear the conference committee will be the final battleground for working out differences among four different bills.

The last of the four is expected to be reported out of the Senate Finance Committee before the end of the month. That proposal is said to be a simplified version of the House Ways and Means Committee proposal, as the committee saves its real fire for conference. Earlier this month, the Senate Labor and Human Resources Committee completed work on its bill, which is similar to that of the House Education and Labor Committee.

Still uncertain is when the conference committee would meet. The only sure things are that it will occur after budget reconciliation bills are completed by the tax committees and approved by their respective houses and by Nov. 20. That's when a budget reconciliation bill must be completed, approved by Congress and signed by the president, or provisions of the Gramm-Rudman-Hollings Act would kick in, requiring automatic across-the-board budget cuts.

The little-noticed requirement that employers with plans funded at less than 70% of termination liability pay some sort of security interest as a "safety net" is part of the administration's attempt to reduce employers' ability to transfer — or "put" — their pension liabilities to the PBGC.

That proposal also includes a provision in which filing for reorganization under Chapter 11 of the federal Bankruptcy Code will not be sufficient grounds to prove distress and, therefore, to dump the unfunded pension liability on the PBGC.

"Reduction or elimination of the put option and improvements in the bankruptcy treatment of pension and other employee benefit claims are essential if we are to provide meaningful benefit security, ensure the credibility and equity of the current system and the long-term financial integrity of the PBGC," Mr. Walker said.

He said the amount of the security interest would be the difference between the current level of funding and 70% of termination liability. He did not specify what form this security interest might take.

This proposal echoes part of an amendment by Rep. John J. Duncan, R-Tenn., contained in the House Ways and Means proposal that gives the PBGC an automatic lien against the assets of a company if its defined benefit plan funding level falls below 70%.

This approach is opposed by the Association of Private Pension and Welfare Plans, Washington.

"In our view, nearly all of the changes you'll be asked to approve will undermine, rather than strengthen, defined benefit plans," APPWP Secretary David G. Marshall said in a letter to Senate Labor and Human Resources Chairman Edward M Kennedy, D-Mass. "We urge the committee limit its action to the two issues which we can all agree are related to the financial soundness of the PBGC: a PBGC premium increase and simple rules to strengthen the minimum funding standards."

"We think this would be damaging to companies and it would change the rules of the game," said Alan Reuther, associate general counsel for the United Auto Workers. Such a law would limit a company's ability to get credit, Mr. Reuther said, which ultimately could put companies out of business and eliminate jobs.

Of the proposal to give the 25% cushion

*Continued on page 68*

# *Wary managers up cash reserves*

By Fred Williams

Concern about rising short-term interest rates and moves to protect market gains caused some institutional investors to raise cash reserves in their equity portfolios in the third quarter.

Cash reserves as measured by INDATA, a Southport, Conn., investment analysis service, increased slightly to 7.4% Sept. 30 from 7.1% June 30. But most of the managers tracked by *Pensions & Investment Age* held substantially more cash.

The wisdom of this was proved in early October when the market dropped 244 points.

"In retrospect, institutional portfolio managers probably wished they had been holding more than the 7.4%," said William T. Kennedy, an Atlanta consultant interpreting the INDATA survey. "They are taking it on the chin with this."

At press time, the Dow Jones industrial average had tumbled 390 points since the second week of August when it hit a high of 2722.

The INDATA universe measures 1,202 institutional equity portfolios totaling more than $153.6 billion. INDATA's equity cash reserves have held almost constant from the 7.3% at the end of 1986.

Among managers tracked by *P&I Age*, Hibernia National Bank, New Orleans, began the third quarter fully invested, but ended the quarter with 10% cash reserves, said Robert Rust, vice president and trust investment officer.

"The move up in short-term rates has had us nervous. We've made a lot of money in the market in the first nine months and, on a fundamental basis, it's hard to make a case for the market now. With the direction in interest rates being higher, we decided to hedge our bets and move toward a little cash," he said.

"Unless we see a change in the direction of interest rates, there's not a lot to push this market much higher." Hibernia manages about $1 billion in equities.

The cash position at Lincoln Capital Management Co., Chicago, also was increased substantially, to 10.6% from 2.9% June 30. Lincoln has about $3 billion in equities.

Most of the increase took place in August, said J. Parker Hall III, president: "It's hard to describe, but we raised cash because we felt the market had been so strong and the bond market so weak it was prudent to raise cash reserves modestly."

Equity cash reserves at Sun Banks, Orlando, Fla., increased slightly to 9% Sept. 30 from 8.8% three months earlier. In October,

*Continued on page 63*

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500, Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities, the Shearson Lehman Government/Corporate bond index and the Salomon Brothers Broad Investment Grade bond index.

**P&I Age September Indexes**

| | Latest mo. | Year to-date | Trailing 12 mos. |
|---|---|---|---|
| S&P 500 | –2.19 | 35.91 | 43.50 |
| Russell 3000 | –2.18 | 32.34 | 37.78 |
| Ryan Index | –2.21 | –5.32 | –3.22 |
| Shearson Lehman Gov't./Corp. | –2.15 | –3.34 | –0.38 |
| Salomon BIG | –2.19 | –4.43 | –1.26 |

Source: Ryan, Shearson Lehman Hutton Inc. and Frank Russell

**Most new accounts***
**3rd quarter 1987**

| Firm | Accounts |
|---|---|
| Cherokee Resources | 6 |
| J.P. Morgan Investment Mgmt. | 4 |
| Murdoch & Coll | 4 |
| Oechsle International Advisors | 4 |
| TCW Realty Advisors | 4 |

*As reported in *Pensions & Investment Age*

**Most new assets***
**3rd quarter 1987**

| Firm | $ mils. |
|---|---|
| MHIC | 6,000 |
| Mercury Warburg Investment | 2,400 |
| Morgan Grenfell Investment | 1,210 |
| Robert Fleming Investment | 1,200 |
| Prudential Portfolio Advisors | 1,200 |
| Phillips & Drew Fund | 800 |
| Copley Real Estate Advisors | 400 |
| Martin Currie Investment | 400 |
| Mellon Capital | 265 |
| Geewax, Terker & Co. | 225 |

*As reported in *Pensions & Investment Age*

# Active management outdraws indexing

By Trudy Ring

Active equity managers outpaced indexers in attracting assets in the third quarter, but one huge account pushed bond index funds past active fixed-income firms.

In moves of money reported in *Pensions & Investment Age* during the quarter, $1.07 billion went to active equity managers, while $338 million flowed to stock index funds. Figures are based only on what was published in *P&I Age*; managers may have attracted other accounts.

The equity numbers were similar to those of the second quarter, when active management attracted about three times the amount of assets as index funds (*P&I Age*, Aug. 10). At that time, some consultants said the moves might indicate a belief in value-added management and a suspicion that the period of outperformance by index funds was ending.

Still, a few consultants stressed there's a great deal of interest in passive and semipassive strategies. Quantitative equity manag-

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# Defined Contribution

# Smaller funds take reins

By Jacqueline Dutton

The growth of defined contribution plan assets continues to outpace that of defined benefit assets despite indications the market for new plans is becoming saturated.

While consultants interviewed said most of the larger plan sponsors already have set up defined contribution plans, data from the Employee Benefit Research Institute, Washington, shows the asset base of defined contribution plans is growing at a significantly higher rate than defined benefit plans, even though market returns on assets have been at the same level for both types of plans.

Based on figures provided by EBRI, defined contribution plans grew at an annualized 18.7% for the four years ended March 31, compared with 11.8% for defined benefit plans.

Employee benefits consultants interviewed said the growth is coming from the small- to midsize funds that are setting up 401(k) plans as their primary retirement plans, setting up such plans to supplement defined benefit plans, or replacing defined benefit plans with defined contribution plans.

They said many of these new clients held back from starting 401(k)s until this year because they feared the plans might lose their appeal as tax shelters during the course of tax reform. After tax changes were final and the 401(k) emerged as an attractive alternative to the individual retirement account, they said, those fears were wiped out and telephones started ringing (*see accompanying story*).

"We have not seen a decrease in participation in 401(k) plans as a result of tax reform," said Melvin Borleis, managing director-central region in the Deerfield, Ill., office of William M. Mercer-Meidinger-Hansen Inc.

The interest among plan sponsors for starting defined contribution plans reflects an ongoing trend.

Aetna Life Insurance Co., Hartford, Conn., for example, has experienced a dramatic shift in assets from defined benefit to defined contribution plans during the past three years. T. Jerald Moore, vice president-employee benefits division, said in that time total deposits moved from one-third in defined contribution accounts to two-thirds in defined contribution accounts today.

Mr. Moore said most of the new defined contribution plan business came from 401(k)s. Especially popular were 401(k) products that allow employees to choose their investments, and guaranteed investment contracts were a very popular option for those products, Mr. Moore said.

EBRI reports that while the amount of assets in defined benefit plans is greater than the amount of assets in defined contribution plans, the assets of the latter are expanding at a much faster rate.

At the end of the first quarter, there was $644.4 billion in assets for defined benefit plans compared with $395.5 billion for defined contribution plans. But defined benefit plans grew 56%, or 11.8% compounded annually, since March 31, 1983, while defined contribution plans grew 99%, or 18.7% compounded annualized.

Joe Piacentini, an EBRI research analyst, said the reason for these trends is complex. He said some explanation can be found in defined benefit plan terminations, but that's not the whole story.

For instance, he speculated the percentage of defined benefit plan assets being paid out in the form of benefit payments was much higher than that for defined contribution plans. Defined benefit plans are more mature than defined contribution plans, and as defined benefit plans mature, so do their participants, creating a larger population of retirees.

Paul Troup, a consultant with Mercer-Meidinger-Hansen in Atlanta, said he believes defined contribution plan assets will continue to increase at a faster rate than assets of defined benefit plans. But at the same time, defined contribution plan start-ups will slow to a trickle.

"In the past few years we set up hundreds and hundreds of 401(k) plans," Mr. Troup said. "By now almost everyone who was going to get one has got one."

Mr. Borleis said data from a study on defined contribution plans conducted at the end of 1986 reveals more than three-quarters of plan sponsors have set up defined contribution plans.

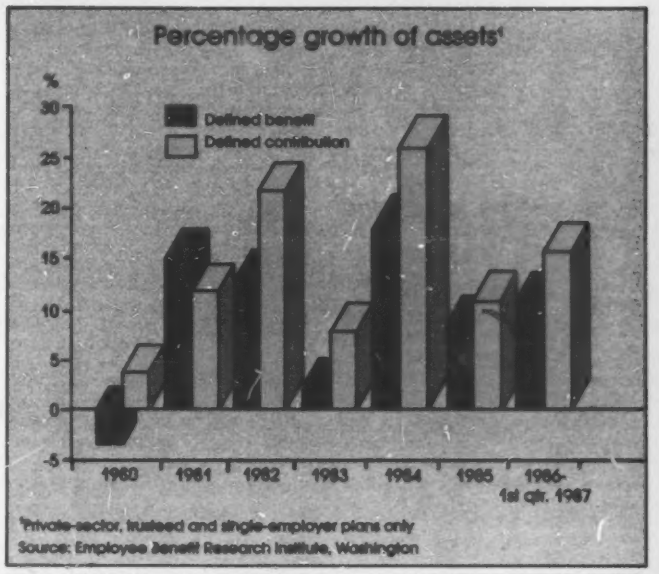
"In 1986 when we did one study covering 824 companies, out of those, 63% had (defined contribution) plans and another 19% were considering them," Mr. Borleis said. "We did another survey at the end of 1986 of 771 public and private plans, and that showed 82% already had some type of defined contribution plan."

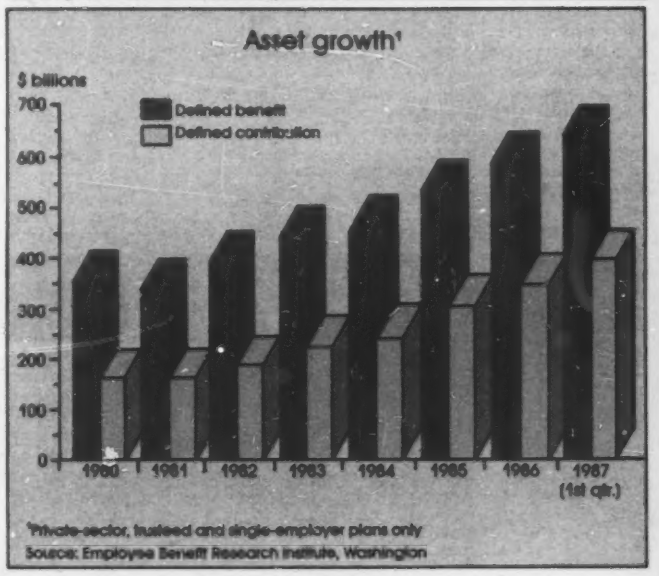
That latter study showed 401(k) plans were by far the most popular defined contribution plan. According to the study, 56% of all defined contribution plans were 401(k) plans, with profit-sharing plans a distant second at 16%. Fewer than 10% of companies with defined contribution plans had established other types of plans.

Employee benefits consultants agree the large-company market for defined contribution plans is saturated. But they said there is room for growth among the small- to intermediate-size companies.

Prudential Asset Management Co., Florham Park, N.J., is getting activity from hospital and union funds that want to set up 401(k) plans. Steve Benson, vice president, said the saving plan is appealing to hospitals because they urgently need to cut costs but fear

*Continued on page 21*




## Managers get crack at assets

By Trudy Ring

Independent investment advisers and internal staff are increasingly popular as managers of profit-sharing plans, while insurance companies' guaranteed investment contracts continue to attract the biggest share of 401(k) money.

Few profit-sharing plans allow employees to direct investments, so those plans' officers tend to pick much the same managers as they do for their defined benefit plans.

"What we've been seeing there for some time is what we've seen for defined benefit plans," said Noel Feldman, consultant in Hewitt Associates' Santa Ana, Calif., office, explaining the growing popularity of non-bank, non-insurance company managers.

While comprehensive data on defined contribution plans are not available, studies have been done on profit-sharing plans.

*Continued on page 20*

## 401(k)s surviving tax reform

By Fred Williams

The Tax Reform Act of 1986 has not had the dampening effect on 401(k) plans many benefits experts once feared, but some believe the law's full effect is still to be felt.

One year after the tax system overhaul, 401(k) plans remain as popular as ever, despite operating under significantly different rules.

Surveys of large corporate 401(k) plans by two major benefits consulting firms have found tax reform has had little impact on employee participation, insignificant disruption caused by the $7,000 annual limit on elective deferrals (from $30,000 under previous law) and minimal hardship withdrawal problems because of enhanced loan activity.

*GRACO Inc., Minneapolis, where this worker stands watch at the controls of a parts machining center, will have to lower the maximum contribution allowed higher-paid employees to pass the new non-discrimination test brought on by the Tax Reform Act*

The changes in 401(k) provisions were designed to generate an estimated $3.4 billion for the U.S. Treasury between 1987 and 1991.

The new non-discrimination test, designed to reduce the disparity in deferrals between highly paid employees and moderate- to low-income workers, has caused some reaction in the $15 million 401(k) plan at GRACO Inc., Minneapolis.

Karen Chapin, benefits manager, said the plan has passed the tests in the past and has allowed contributions of up to 15% of salary, but that will have to be lowered this year to 8% to 10% for the higher-paid employees (those paid more than $50,000) in order to comply.

She said GRACO management also has given some consideration to establishing a non-qualified plan for higher-paid employees.

GRACO has had a loan provision since the plan was established in 1972 and "that has helped us and is part of the reason we have done as well as we have on the non-discrimination tests," Ms. Chapin said.

The $5 billion American Telephone &

*Continued on page 18*

# Managers . . .

*Continued from page 15*

According to a study by Hewitt and the Profit Sharing Council of America, Chicago, these managers increased their portion of the profit-sharing market to 35.8% in 1986 from 29.7% in 1985. The study covers more than 400 profit-sharing plan sponsors.

Internal management's share rose to 24.8% from 18.3%. Mr. Feldman said that may be due in part to increases in the value of company stock held by internal management staffs. Not every plan investing in company stock keeps it in-house, however; some have independent managers or banks hold the stock.

Banks and insurance companies' market shares also rose in the survey, but not at the pace of the investment advisers and internal managers. Banks' share rose to 17.5% from 16.2% and insurance companies' portion grew to 16.8% from 14.2%.

Mutual funds had only 1.9% of profit-sharing assets in 1986; they were not given a separate category in the 1985 survey, but were grouped with "other" investment arrangements. That category had only 3.2% in 1986, down from 21.6% in 1985; however, the 1985 figure may have been inflated by some respondents' confusion about what went into that category.

Not surprisingly, the survey also indicates the larger the plan, the greater the percentage of its assets with independent managers; the smaller the plan, the greater the percentage with banks, said David L. Wray, president of the Profit Sharing Council.

Money management for 401(k) plans is a different creature. While survey data similar to that on profit-sharing plans is not available, most industry sources estimate 70% of the assets of these plans, which tend to be employee-directed, goes into GICs.

"I think you're always going to see (GICs) in defined contribution plans, especially where employees have the choice of where their money goes," said William E. Heisler, vice president and director of marketing for Capitoline Investment Services Inc., Richmond, Va.

However, the presence of Capitoline and other active GIC managers in this market indicates that while the insurance companies remain the sellers of GICs, other types of firms can claim market share for GIC management. Capitoline and several other non-bank managers have made significant inroads in this area, and banks are getting into the act, too.

First Wachovia Corp., Winston-Salem, N.C., and Atlanta, recently has begun offering a pooled GIC fund. "We've found that to be absolutely indispensable," said Dick Burgin, vice president and sales manager in the Atlanta office. First Wachovia is signing up clients for the fund now and expects to have it operating in January.

IDS Trust Co., Minneapolis, which puts itself in the independent manager category, has found its combination GIC and money market fund to be successful in attracting 401(k) assets. The fund, which is always 75% in GICs and 25% in money market instruments, is popular because it's easy to administer and to explain to participants, said Gailen Krug, vice president-client services.

About $300 million of IDS Trust's $1 billion under management is in this fund.

Some mutual fund companies have begun to offer GIC funds, Hewitt's Mr. Feldman added. "Mutual funds use it as one extra arrow in their quiver," he said.

*Noel Feldman has tracked the growth in defined contribution plans' use of independent firms.*

The Vanguard Group of Investment Cos., Valley Forge, Pa., offers a commingled GIC fund through a division, Vanguard Fiduciary Trust Co. It is not a publicly traded mutual fund, but is available only to plans that offer other Vanguard funds as investment options. "The existence of that pool has been very important to our overall success," said Ben Bowditch, senior vice president-investment marketing.

The fund has been operating for four years; since then, it has placed more than $500 million in GICs, Mr. Bowditch said.

For equity options offered in 401(k) plans, sponsors usually choose mutual funds and bank-managed stock index funds.

"Where active management has been the vehicle, mutual funds have been used," said Catherine Higgins, president of Buck Pension Fund Services Inc., New York. "For passive management, banks have been used."

Both types of managers have their appeal for participants — mutual funds, because they can follow the publicly traded funds' performance daily; stock index funds, because they promise to match market returns.

As investment options in 401(k) plans proliferate, mutual funds will benefit, Mr. Feldman said. "I haven't seen any industry benefit more from any law than the mutual fund industry under section 401(k)," he said.

Recently proposed Department of Labor regulations, which would require sponsors of employee-directed plans to provide a broad range of investment choices, may benefit mutual funds further (*Pensions & Investment Age*, Sept. 21). The proposal would put into law what sponsors always have found attractive about mutual funds — the availability of a family of diversified funds, Vanguard's Mr. Bowditch said.

Organizations that can provide trusteeship and participant record-keeping as well as money management for 401(k) plans have an edge in attracting business. "We find that many of our prospects find a lot of value in all services under one roof," Ms. Krug said.

"Increasingly, plan sponsors would like to have it all in one place," Mr. Bowditch added.

While some large companies do their 401(k) record-keeping in-house, many sponsors find it too much of a headache.

"It's absolutely the Achilles' heel of these plans," Mr. Burgin said.

It also can be problematic to have different firms as trustees and record-keepers. Having one provider perform both services "eliminates a lot of the administrative functions," said Sook-Kuen Chang, vice president of Bankers Trust Co., New York.

Banks tend to be the trustees of 401(k) plans, while those sponsors who don't do record-keeping in-house may hire either banks, insurance companies, mutual funds, specialized money management firms or benefit consultants. ■

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# Insurer survey shows no pause for 401(k)s

The Tax Reform Act of 1986 has had a minimal impact on 401(k) plans, according to a survey released by Massachusetts Mutual Life Insurance Co., Springfield.

The average deferral percentage of higher and lower-paid employees generally was expected to decline because of the changes in tax laws. However, the survey showed that tax reform had very little impact on deferral rates, said Edmond F. Ryan, pension vice president of the Mass Mutual Group.

The survey also shows tax changes had much less than the expected impact on the establishment of 401(k) plans. Seventy-two percent of those companies polled that did not have a 401(k) plan indicated tax reform would not affect the possibility of their starting one in the future, Mr. Ryan said.

A copy of the survey can be obtained by writing to B.J. O'Keefe, director of group pension marketing, at Massachusetts Mutual, 1295 State St., Springfield, Mass. 01111. ■

# International

# Path to Third World rocky

By Marlene Givant

NEW YORK — While most executives investing fund assets abroad are concerned about portfolio allocations among the world's largest stock markets, the smaller group of institutions investing in Third World markets has much wider-ranging concerns.

Members of that group include the $7.4 billion United Nations Joint Staff Pension Fund and the $34 billion Teachers Insurance and Annuity Association — College Retirement Equities Fund, both of New York, the $2.6 billion Common Fund endowment, Fairfield, Conn., and Yale University's endowment, New Haven, Conn.

Among the complaints are roller-coaster price fluctuations, a lack of company information and research, restrictions on foreign investment, poor liquidity, high execution costs, securities settlement difficulties and currency instability.

U.S. investors also must muddle through different accounting and tax laws and reports written in foreign languages.

In many emerging countries the government controls most companies, either directly or indirectly, said Vinod B. Bavishi, founder and executive director of the Center for International Financial Analysis and Research Inc., Princeton, N.J.

So local analysts working for government-owned financial institutions may not have an arm's-length assessment of the companies they research. Also, investment researchers in most countries don't get rewarded for good recommendations as they do here, he said.

The center has developed the Worldscope international financial data base in conjunction with Wright Investors Services, Bridgeport, Conn.

Helping to fill the information void, it plans to expand Worldscope by including the past seven years of financial information on the 500 largest companies in 10 emerging markets. And the International Finance Corp., Washington, a division of the World Bank, will release for institutions its IFC Emerging Markets Data Base, covering more than 300 stocks in 20 Third World countries.

Despite the information problems, investors expect the markets' potential to offset the risks.

Emerging countries have a gross national product per capita of $5,000 or less, according to the IFC.

The 20 most developed of the developing countries represent 15% of world GNP and their stock market value is 2% of GNP, said David Gill, director-capital markets department of the IFC.

"Hypothetically, for 2% you buy 15% of the world. (Price-earnings) and book-to-price ratios are lower than Organization for Economic Cooperation and Development stock markets, and economic growth rates and real GNP growth rates are two percentage points higher on average than those in mature economies. In addition, some of these markets have negative correlations with (markets of) mature economies," Mr. Gill said.

While liquidity of emerging markets is a far cry from that in the United States, it is in many cases comparable to that of European markets, said Antoine van Agtmael, author of "Emerging Securities Markets," which has become an industry textbook since its publication several years ago.

Taiwan's $22 billion 1986 trading volume exceeded that of Spain, Belgium and Denmark. Brazil's $29 billion volume exceeded Australia's $26 billion during that period.

The leading stocks in larger emerging markets have a float — or percentage of shares available to the public — of 25% to 60%, which is comparable to that of the U.S. over-the-counter market and midsize European markets.

Market turnover ratios in Taiwan, South Korea, Mexico, Thailand and Brazil were between 20% and 124% in 1986, compared with 20% to 60% in major international markets.

"Relative to the size of the markets, these turnover ratios are comparable," said Mr. Agtmael, who is president of the newly launched registered investment adviser, Emerging Markets Investors Corp., an affiliate of the World Bank spin-off Strategic Investment Partners.

But investments in these small markets must be small and staggered.

*CREF's Virgil Cumming says the fund invests in South Korea and Taiwan.*

Pierre Henchoz, chief of the investment management section of the United Nations, said "We think for each emerging market investment, we should have at least 0.5% to 1% of equities. That's a big amount, although a relatively small percentage of equities.

"You can't put $50 million in a certain market when the market cap is very small. I'm concerned everyone is just looking to invest (for the short term). The day the investment community will sell at the same time, we might have a severe correction. But as long as we're long-term investors, sooner or later liquidity and market capitalization will be tremendously greater than today."

"The market capitalization of LDCs — $130 billion — is expected to exceed $500 billion by the end of the century. That's where you have to look," he said.

Because portfolios investing in emerging markets and emerging companies usually contain a large number of stocks, the Common Fund and Yale University endowments formed a partnership fund

*Continued on page 32*

## Funds provide execs the most for the least

Given the limitations of investing in Third World markets, pension executives are using mutual funds and country funds for high performance with minimal hassles.

These funds free institutions from responding to foreign investment regulations and tackling the exhaustive research emerging markets demand.

Developing countries, such as Taiwan, South Korea, India and Brazil, like the control afforded them by country funds.

"Their main concern is if they let you take money out tomorrow, then their currencies will collapse," said Vinod Bavishi, executive director and founder of the Center for International Financial Analysis and Research, Princeton, N.J.

"They could limit the amount taken out each month. They're worried that companies will be vulnerable to foreign control.

"Country funds (and emerging-market mutual funds) would not like to own companies and are more positively received. Some countries (such as India and South Korea) are allowing managers to selectively come in through funds. That gives them better control so they can set ground rules to their liking."

A problem with country funds in popular emerging markets is that premiums tend to be quite high. Such is the case in South Korea.

"The Korean outlook is attractive but we have not found an attractively priced way into the market," said Laura Luckyn-Malone, vice president of the New Asia Fund managed by Scudder, Stevens & Clark, New York.

Launched in June, the New Asia Fund invests 78% in Japanese and Hong Kong emerging growth companies and in Southeast Asian emerging markets. India is one of the most attractive markets, she said.

The International Finance Corp., Washington, a division of the World Bank that is advising 20 of its 132 member governments on international investing, and underwrites and invests in several country funds and private placements, recently launched the Emerging Markets Growth Fund, managed by Capital Research & Management

*Continued on page 34*

# *Institutional influence to grow in Japan*

By Joel Chernoff

NEW YORK — Institutional investment managers will show a much stronger influence on Japanese stock prices during the next five years, according to Anne Cabot, international marketing manager for Sanyo Securities Co. Ltd., Tokyo.

Conventional wisdom suggests the "Big Four" Japanese securities firms have an undue influence on stock price moves, but the situation actually is more subtle and complex, she said.

Four external factors exert pressure on stock prices in Japan: government and financial regulatory agencies; securities firms; investment networks; and speculators, Ms. Cabot said at a recent Institute for International Research conference.

The Tokyo market is roughly where the U.S. market was 20 years ago. While institutional investors accounted for a majority of trading in the United States since the late 1960s, it was only last year that institutional managers crossed the 50% of trading threshold.

Government influence on the Japanese stock market is subtle, often coming through suggestions or oral communications, Ms. Cabot noted. The government also can shift tax and monetary policy to encourage investment policy.

In addition, the Tokyo Stock Exchange has either eased or toughened margin requirements to stimulate or dampen market movement at key times, she said.

The Big Four securities firms — Nomura Securities Co. Ltd., Daiwa Securities Co. Ltd., Yamaichi Securities Co. Ltd. and Nikko Securities Co. Ltd., all of Tokyo — traditionally have had a strong effect on individual stock practices.

Because Japanese salesmen have lifelong employment, they adhere to company directions on selling stocks to their retail customers, Ms. Cabot said.

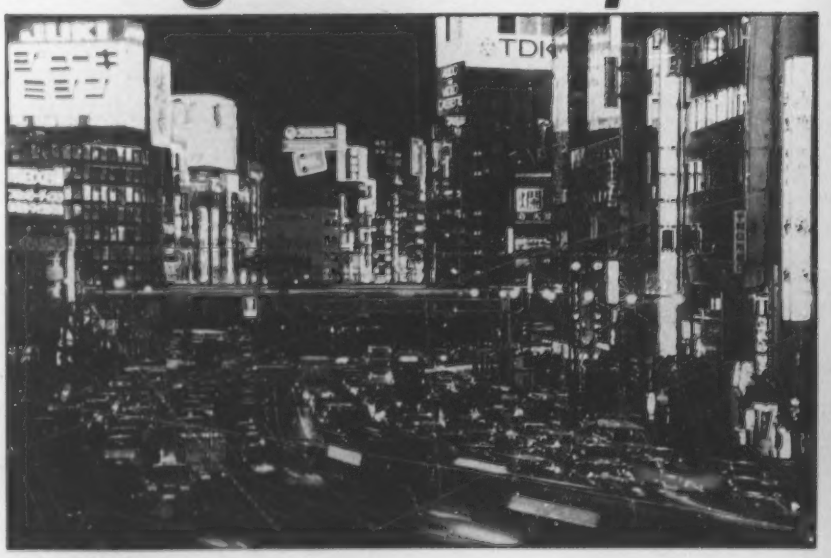
Securities firms still get about 70% of revenue from commissions, and 30% of commission income stems from margin trading, she added.

That in turn leads to increased portfolio turnover; last year, margin trading doubled.

But the surge in institutional buying has caused the relative impact of margin trading to decrease to less than 20% of total market activity, Ms. Cabot noted.

The Big Four still dominate total trading because they have picked up new institutional business from "tokkin" funds and investment trusts.

*Continued on page 34*



*Institutional investment managers are expected to play an increasingly important role during the next five years in the Tokyo market, the financial capital of Japan and home of the "Big Four" Japanese securities firms.*

# The most . . .

*Continued from page 31*

Co., Los Angeles. The fund, which invests in Chile, Brazil, Jordan, Mexico and several Southeast Asian markets, rose 60% to 70% between mid-1986 and Sept. 30. Investors, including representatives of the IFC, are on the board and take part in market decisions.

Investors and researchers acknowledge the trials of Third World investing but are bullish for the long term.

Just because a country has severe debt problems doesn't mean its market will do poorly. Mexico, the Philippines and Argentina have done extremely well despite their problems, said Walter P. Stern, chairman of the investment committee of Capital Research & Management.

"The markets are more risky, but commensurate with that we hope for more return. They're less perfect by definition than developed markets. Whenever there are imperfect markets, there should be value."

The top-performing emerging markets this year have been Mexico, Taiwan, South Korea, Malaysia, Thailand, Greece and the Philippines, according to the IFC Emerging Markets Data Base.

In dollar terms, the Mexican market index rose 134% in the first six months of this year. The market's capitalization has nearly quadrupled from its $6 billion level in January, more from price appreciation than new inflows, although capital outflows in Mexico have been reversed this year.

Korea's index rose 61% and Taiwan's rose 87%. Brazil's index was down 59% for the six months. The Brazilian market is so volatile its plunge was interrupted by a 20% rise in only two weeks in late spring, according to the IFC.

"The Philippines was the flavor of the month a few months ago but the latest coup attempt has cooled it off. In my view, the big daddy of emerging markets is going to be China, and the way to play that is through Hong Kong" by investing in such companies as **Hopewell Holdings**, which builds power stations and major highways in China, said Lester Sturgess, senior vice president, James Capel & Co., New York.

"If Hong Kong's reabsorption into China is as good as we hope, Hong Kong's relationship to Peking will be like New York's relationship to Washington," he said.

Executives at Hoare Govett Inc., New York, believe South Korea has all the factors a promising Third World market should have: political stability, export-led growth and good control of inflation, unemployment and the money supply. The firm also is bullish on Brazil because its inflation has fallen, it has control over its economic policy, political stability, a wealth of natural resources and a capitalist mentality, said Christopher J. Curwen, vice president-international equities.

"We believe Asia has been the fastest-growing market for 10 years and think that will continue. Where there's high GNP growth, there's a favorable environment for strong corporate growth. That drives stock markets," said Ms. Luckyn-Malone of the Scudder New Asia Fund.

Country funds often are the only vehicle through which foreigners may invest in a given market.

The Templeton Emerging Markets Fund Inc., however, does not invest in country funds. It buys companies listed on major stock exchanges, as long as they conduct at least 50% of their business in the Third World. Such companies include **Antofagasta Holdings PLC**, a London-listed company that operates a railroad, mines and copper processing plants in Chile, and **Ocean Wilsons PLC**, another London-listed company that operates tugboats along the coast of Brazil and owns a truck dealership there.

Templeton's low-turnover, bottom-up approach is well suited to investments in Third World markets.

"If you were top-down, you could easily eliminate most countries (we invest in) because the macroeconomic picture looks so bad," said Mark Mobius, president of the fund. He only looks at macroeconomic factors insofar as they affect a company's earnings.

Templeton International, Fort Lauderdale, Fla., which runs the New York Stock Exchange-listed closed-end mutual fund from Hong Kong, plans to launch a similar fund in Europe for institutions.

In addition to research demands, Mr. Mobius said the fund requires special attention to back-office problems, especially in markets like Chile, where its global custodian, Chase Manhattan Bank, New York, has no custodial relationship as yet.

"We find ourselves doing a lot of work the custodian should be doing. We push (banks), get them moving, overcome legal hurdles to getting into a country," Mr. Mobius said.

The Templeton fund was established as a closed-end fund "because we don't think it's fair for them to get into an open-end mutual fund and not be able to get out. We have to approach it as a long-term investment. Liquidity isn't there and there are strict foreign exchange controls. Getting money out may be difficult," said Mr. Mobius.

Despite the enormous gains in some emerging markets, Grantham, Mayo, Van Otterloo & Co. International, Boston, which uses quantitative approaches, is deterred from investing in the Third World because of the lack of reliable company data.

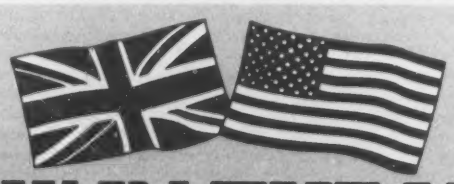
"We're not yet willing to put work into it until we're sure it will be worth it for the long term," Margaret McGetrick, portfolio manager. "Right now, most markets are too closed to foreigners. To directly invest in Brazil, you have to be approved by the Brazilian authorities, create a fund of at least 10 companies, invest evenly in each company and invest for a certain amount of time. You also must be associated with a Brazilian fund. After cutting through those restrictions, you're free to deal with inflation and the market going down." ■

*— Marlene Givant*

### IFC Emerging Markets Indexes* returns
December 1975 = 100

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 1st qtr. | 1987 2nd qtr. |
|---|---|---|---|---|---|---|---|---|---|
| ASIA | | | | | | | | | |
| India | 397 | 490 | 462 | 500 | 480 | 967 | 904 | 823 | 734 |
| Korea | 292 | 438 | 477 | 453 | 493 | 641 | 1,007 | 1,404 | 1,520 |
| Thailand | 214 | 174 | 210 | 231 | 192 | 183 | 302 | 341 | 407 |
| LATIN AMERICA | | | | | | | | | |
| Argentina | 743 | 351 | 118 | 183 | 146 | 134 | 120 | 152 | 139 |
| Brazil | 108 | 95 | 80 | 101 | 165 | 265 | 217 | 116 | 138 |
| Chile | 3,288 | 1,716 | 848 | 668 | 504 | 656 | 1,884 | 1,834 | 1,910 |
| Mexico | 520 | 340 | 73 | 163 | 197 | 289 | 480 | 908 | 1,422 |
| OTHER EMERGING | | | | | | | | | |
| Greece | 114 | 82 | 106 | 58 | 49 | 61 | 105 | 144 | NA |
| Jordan[1] | 235 | 318 | 343 | 321 | 252 | 270 | 285 | 349 | 287 |
| Zimbabwe | 299 | 130 | 88 | 66 | 70 | 208 | 243 | 276 | 349 |
| DEVELOPED MARKETS | | | | | | | | | |
| MSCI World | 199 | 193 | 214 | 264 | 279 | 396 | 567 | | |
| USA | 191 | 182 | 221 | 271 | 288 | 379 | 449 | | |
| Japan | 249 | 287 | 264 | 329 | 384 | 548 | 871 | | |

* All indexes are converted to U.S. dollars at the end of each period. The IFC indexes are shown with dividends reinvested in the issuing stock. The S&P 500 and MSCI World indexes assume that dividends are reinvested in the basket of stocks.
[1] The Amman Financial Market began operations in 1976.
Source: IFC Emerging Markets Data Base, Morgan Stanley Capital International, Standard & Poor's

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# Institutions . . .

*Continued from page 31*

And stock prices still can be manipulated through "rescue campaigns" when customers are sitting on margin losses, sometimes in concert with other firms.

But institutional fund managers are boosting their influence on the market. With the recent flood of new money under management, investment managers are forming study groups to determine economic trends and market strategy. Those groups can have a larger influence than the Big Four, Ms. Cabot said.

Consensus buying dominates the fund manager networks, she explained. The groups are most active after a significant correction. Managers avoid individual responsibility through consensus buying, and that enables everyone to participate in market gains.

But the impact of this policy wanes after managers achieve a "reasonable profit," Ms. Cabot said.

But international portfolio management techniques are becoming more widely accepted. This trend is bolstered as Japanese portfolio managers join foreign firms but remain with their study groups, thus introducing both outside investment ideas and new strategies to their peers, she said.

Speculator groups also can have a significant impact on the market for specific stocks, sending some through dramatic run-ups but also through unnerving crashes, Ms. Cabot said.

While the returns can be spectacular, the risks for outsiders do not justify the returns, she added.

Stocks bolstered by rumors performed better than the overall market during the past year, according to a study by Sanyo, but failed to return as well as the 50 best performing stocks, suggesting "hot information" might not be the best. ■

# Wickes' way . . .

*Continued from page 45*

payments.

"They are aware these are a pain in my side," he said of the banks with surcharges.

He said the surcharge is one negotiating item as Wickes considers consolidating lockbox banks. He said Charlotte is becoming a better site for lockboxes. "Atlanta may or may not be part of the total picture as we move forward," he added.

Also, the company is considering moving payment of its payroll taxes to Continental Illinois and another bank Mr. King declined to identify. He said Wickes would stop making the payments to five banks serving as collection agents. He declined to identify the banks.

He said the negotiations focused on the two banks' willingness to share some of the float they receive from the payments. In return, Wickes would consolidate its tax payments with the two banks.

He said Wickes, like all companies, makes payments with immediately available funds. The banks, however, have one day of use of the funds before turning the payments over to the government.

Although Wickes centralizes collection and disbursement, it decentralizes among its 70 units the information content of its cash and working capital management operations. Its working capital control is accomplished by weekly review of actual cash receipts and expenditures of each of its units, all done by computer. "We try to eliminate work with paper as much as possible," he said.

In the analysis, Mr. Lesar said he and his staff compare the actual cash flow to each unit's annual budget as well as its latest four-month forecast, updated monthly. The analysis points out any notable variances, enabling the company to make such adjustments as reducing purchases if sales have fallen more than expected.

"The company has structured itself to be cash driven," Mr. Lesar added, "and it's the ultimate product of the cash flow reports.

"It forces the units to focus on working capital" and its impact on cash, he said. ■

## Payden & Rygel index of short maturity assets*

(for month ended September 30)

| | September 1987 | Quarter ended 9/30/87 | Year to date | 12 months ended 9/30/87 | Yield level monthly change[a] |
|---|---|---|---|---|---|
| **90-day** | 0.4747 | 1.4083 | 4.3341 | 5.6863 | 36 |
| U.S. Treasury bill | 0.4094 | 1.5457 | 4.7223 | 6.1948 | 103 |
| Domestic C.D. | 0.4105 | 1.5759 | 4.7883 | 6.3322 | 110 |
| Eurodollar C.D. | | | | | |
| **180-day** | 0.3184 | 1.2106 | 4.1549 | 5.5269 | 53 |
| U.S. Treasury bill | 0.1993 | 1.2826 | 4.1188 | 5.5261 | 96 |
| Domestic C.D. | 0.1939 | 1.3132 | 4.1688 | 5.6508 | 100 |
| Eurodollar C.D. | | | | | |
| **1-year** | −0.0044 | 0.7415 | 3.1578 | 4.5464 | 69 |
| U.S. Treasury note | | | | | |
| **2-year** | −0.4427 | −0.0253 | 1.3397 | 3.0076 | 63 |
| U.S. Treasury note | | | | | |

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. Ninety- and 180-day Treasury bill yield level changes on discount basis.

[a]Basis points.

Source: Payden & Rygel, Los Angeles

# Alcoa . . .

*Continued from page 45*

First Boston Co. and Salomon Brothers Inc., both based in New York, manage Alcoa's domestic paper program.

"We're in the process of launching a Eurocommercial paper program by year end, if the market is right," Ms. Ambrose said.

As for the rate Alcoa expects to pay, she said, "We hope it will be similar (to the domestic rate). But we want to have a presence in Europe as well."

She said the company is willing to wait for better Euromarket conditions. "There are recent indications that rates haven't been attractive."

The company's domestic paper is rated P-2 by Moody's Investors Service Inc., New York, and A-2 by Standard & Poor's Corp., New York.

She said Alcoa's domestic program accounts for virtually all the company's short-term borrowing.

In May, Alcoa sold $150 million in 6¼% Euroconvertible debentures at par, said Cynthia Holloway, manager-financing services.

She said she believed the sale was Alcoa's only recent debt issue in the overseas market.

The convertible issue, managed jointly by Credit Suisse First Boston, Morgan Stanley International, London, and Salomon Brothers International Ltd., London, was sold with a conversion premium of about 21%.

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# Index . . .

*Continued from page 2*

ers, whose assets were placed in the active equity total, might be seen by some clients as semipassive, or at least a less-risky type of active manager.

"Sponsors probably feel a lot more comfortable with a well-defined product," said Larry Davanzo, general partner of Wilshire Associates, Santa Monica, Calif., on the quants' popularity.

Of the active equity total, $289 million went to quantitatively oriented firms. The biggest chunk of that was a $225 million account to be managed by Geewax, Terker & Co., Phoenixville, Pa., for Unisys Corp., Detroit.

Sam DeKinder, executive vice president of DeMarche Associates, Kansas City, Mo., said he has seen a lot of interest in large-capitalization growth stock managers. He added active management's outpacing of index funds might indicate that those investors who wanted to index already have done so.

On the bond side, $6.3 billion went into index funds, with $6 billion of that being Manufacturers Hanover Investment Corp.'s new account for the California State Teachers' Retirement System, Sacramento.

Believed to be the largest bond indexation move ever, it is only a temporary one — the system will keep the money in the index fund for several months while it makes arrangements to bring the money in-house.

Active bond accounts drew in $568 million during the quarter, while dedicated bond portfolios attracted $159 million. Interest in dedicated bond portfolios, a hot investment strategy a few years ago, dropped off as interest rates dropped; this $159 million may not indicate a resurgence of popularity — about one-third of it was just going from one dedication manager to another.

Balanced management showed some popularity, particularly for small and middle-market funds, with $309.1 million being allocated to balanced accounts.

One very large fund, the $9.6 billion British Rail pension fund, London, also reported balanced manager selections, but these were not included in the balanced total because the accounts are largely in British securities. The managers were hired in January, but not reported until July. The hirings were part of the fund's move to external from internal management.

Selected by British Rail for balanced accounts were Mercury Warburg Investment Management, with $2.4 billion; Morgan Grenfell Investment Management, Robert Fleming Investment Management and Prudential Portfolio Managers, $1.2 billion each; Philips & Drew Fund Management, $800 million; and Martin Currie Investment Management, $400 million.

Real estate and international also were popular asset classes during the quarter. Real estate, like bond indexing, benefited from one large public fund account. Of the $764.2 million reported for real estate managers, $400 million went to Copley Real Estate Advisors, Boston, for the Washington State Investment Board, Olympia.

Real estate really hasn't experienced a surge of interest, just ongoing popularity, consultants said. Several months ago, investors were worried about the effects of tax reform on real estate prices; now, they appear to be thinking that already has been reflected in the pricing, said Ron Surz, principal of Becker, Burke Associates, Chicago.

Of the $669.2 million that went into international and global strategies, $630.7 million went to active managers and $38.5 million to index funds. International investing remains popular for diversification, Mr. Surz said.

Mr. DeKinder added pension funds, especially public ones, are far more willing to consider international than they were a few years ago. Performance also is a factor.

"Even with the recognition the Pacific Basin and the Japanese stocks may be fairly valued, if not overvalued, other marketplaces have continued to show attractive rates of return relative to domestic equity," he said.

Another means of diversification was investing in oil and gas. Cherokee Resources Inc., Palo Alto, Calif., attracted $87 million, with at least six tax-exempt investors participating. Cherokee Resources was formed to buy defaulted energy loans, secured by producing oil and gas properties, from the Federal Deposit Insurance Corp. and banks.

Tactical asset allocation attracted $285 million, all in accounts with Mellon Capital Management Corp., San Francisco. Venture capital drew $136 million: $99 million was from the State of Connecticut Trust Funds, Hartford, to Bigler Investment Management Co. ■

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# GEIC turns . . .

*Continued from page 3*
equivalents during the second quarter of 1987, according to a report to be released Oct. 26 by the Employee Benefit Research Institute, Washington, and the Federal Reserve Board.

In addition to its 15% in private investments, the GE pension fund, which accounts for roughly two-thirds of the $32 billion managed by General Electric Investment Corp., invests 49% in publicly traded equities, 21% in publicly traded bonds and 15% in cash. GEIC manages the remaining one-third in excess corporate cash and mutual funds for employee savings plans and corporate funds.

International stock and bond investments represent 6% of the pension fund, which is about 98% internally managed.

GE gradually will raise investments in enhancement arenas as those markets become ripe for investment.

"Our strategy is to continue to increase our investments in enhancement arenas because we feel total investment returns will be more in private areas over the long term than in publicly traded stocks and bonds. But we don't force markets; if we don't like real estate, we'll stay out," said Dale F. Frey, GE's vice president-investments and treasurer and chairman of the board of GEIC.

Of the enhancement arenas, 60% is mostly domestic real estate equity with some debt; 30% is private placements and 10% is venture capital. The GE pension fund recently participated in debt and equity private placements for **Mattel Inc.**, a toy manufacturer, and **Health-Tex**, a children's clothing manufacturer. There is no precise target for private investments, "but I would start thinking about a cutoff if it started approaching one-third of assets," given funding obligations, he said.

For investments in publicly traded securities, the fund uses a variety of systematic approaches including a Standard & Poor's 500 stock index core portfolio and dividend discount model and low price-earnings quantitative approaches.

It also uses futures and options with the core strategy.

The fund is divided into subfunds that use various approaches. Most GEIC portfolio managers do their own research; Mr. Frey, who joined the fund in 1984, believes that is the most efficient way to generate research. Mr. Frey has been with GE for 30 years.

While he did not provide specific returns, he said most of GE's equity funds have surpassed the S&P 500 stock index in the past several years. The bond portfolio has exceeded the Shearson Lehman Government/Corporate bond index return "for many, many years." The bond portfolio has done well because the managers have been able to rapidly shift maturities to take advantage of yield curves and select appropriate bond sectors such as mortgage-backed, industrial and Treasury bonds.

International equity returns were in the 55% to 60% range in each of the past two years vs. the Morgan Stanley Capital International Europe Australia Far East index's compound annualized 63.2% return for the two years ended Dec. 31, 1986.

While Mr. Frey is optimistic about private markets, he is becoming defensive about public stock markets.

"I think the (U.S.) market is high enough that you ought to be taking profits and have some cash. We have more (cash) than we had in the last three to four years," he said.

"With the prices of most stocks it's difficult to find value but, on the other hand, supply-and-demand forces are unlike anything we've seen in the past. There is a shrinking equity market due to corporate buybacks and takeovers, yet Japanese money and other foreign money is pouring in."

To a Japanese investor, U.S. stocks look like the best bargain in town especially when compared with Japanese stocks, he said.

But Mr. Frey doesn't expect any significant correction: "I think the U.S. (bull) market could continue a while longer but prudence would say you should not be fully invested and bond market maturities should be shorter rather than longer."

Most bonds in GE's portfolio have maturities of five to seven years.

About 60% of equities are invested in non-core, non-quantitative approaches such as active growth, value and special situations.

Through arbitrage — effectively owning the index when it is cheaper than the underlying stocks — the fund's S&P 500 stock index fund, which represents 25% to 30% of equities, has been able to beat the return of the index by 10 to 30 basis points last year and so far this year. The S&P returned 18.7% in 1986.

GE does not use portfolio insurance because it's too costly given the fund's size, he said, but it does use futures and options frequently.

"One advantage of an S&P fund is that we get out of the equity market by shorting the index, selling the stocks in a matter of hours with no market impact and without having to go through the agonizing decision of what to sell," Mr. Frey said.

But quantitative approaches, like other active approaches, are not always in favor.

"Our performance has been hurt this year by systematic low p/e approaches. A lot haven't worked in this kind of market. You have to go into (systematic approaches) very humbly and cautiously because there aren't any free lunches. We're not foolish enough to think we'll stumble across a computer model that will always win in all markets."

Fund officials are thinking about investing in indexed bonds or international equities as core strategies.

While the officials aren't averse to external managers, GE only has 12, almost all for international investments.

"It doesn't make economic sense to build all of (a fund's) international capabilities in-house. You need outside contacts in other countries," he said.

Mr. Frey declined to identify the managers, but according to the 1987 Money Market Directory, they include Capital Guardian Trust Co., Los Angeles; Fidelity International Investment Advisors, Boston; Fidelity Management & Research Co., Boston; G.T. Capital Management, San Francisco; Grantham, Mayo, Van Otterloo & Co. International, Boston; Morgan Grenfell Investment Services Ltd., London; Nomura Capital Management, New York; Rowe Price-Fleming International Inc.; Oxford Partners, Stamford, Conn. (venture capital); Hill Samuel Investment Advisers Ltd., Minneapolis; and ABD International Management Corp., New York.

Marsh & Cunningham Inc., Boston, which recently invested a small amount in Brazil on behalf of GE and another fund, also is a manager (*P&I Age*, Aug. 10).

"In international, we'd feel comfortable with 10% to 15% but it's a mistake to simply set a percentage because there'll be times that it's right to be international and a time not to. We have the flexibility to move in and out of markets as we feel we should," Mr. Frey said.

International equities have increased nearly tenfold in four years, to between $820 million and $840 million from $90 million in 1983. Of the current total, $400 million is run internally.

Staff members "are given a significant amount of flexibility and freedom to make decisions quickly . . . We're not tied up in a big, bureaucratic process. I think that's what distinguishes us from the rest of the world."

GE is no newcomer to private market and other alternative investments. It was one of the first and largest funds to enter real estate 15 to 20 years ago, venture capital six years ago, international about four years ago and indexing and other systematic approaches three years ago.

The job of Mr. Frey and his direct staff is to come up with broad strategies of asset allocation, industry weightings and the kinds of portfolios to have in place. Stock selection decisions are left to portfolio managers. There are 40 investment professionals at GEIC.

Directly reporting to Mr. Frey are trustees Art Bahr, senior vice president in charge of equities; John Myers, senior vice president in charge of fixed-income and private areas; Alan Lewis, senior vice president and counsel; and J.E. Bonhiverd, senior vice president in charge of finance. The company's oversight committee reviews major asset allocation shifts.

The GE pension fund includes close to $3 billion in retirement assets from RCA Corp., which is owned by GE. While the two companies' plans are separate, the funds are mostly commingled for management purposes. Both companies' retirement plans were overfunded as of the end of 1986. ■

# Borrowers . . .

*Continued from page 1*
tion of total volume will be swap-related," said William S. Broeksmit, a vice president at Merrill Lynch Capital Markets, New York.

But in a bear market, issuers rely on interest rate swaps to give them a cost of capital that is lower than the rate investors are getting, he said.

In the generic interest rate swap, a fixed-rate payer and a floating-rate payer exchange interest payments until the liability matures. The interest rate swap allows issuers to obtain capital from the lowest cost sources and convert those liabilities into the optimal form.

"In January and February, given where rates were, companies were not interested in interest rate protection because they did not see the need," said Avram Stein, a vice president in Chase Manhattan Bank's financial products group. "Now concern about interest rates has heightened to the point where they are saying, 'We have to protect ourselves.' "

The esoteric interest-management tools developed by Wall Street and the money-center banks are less available to companies with a low profile in the capital markets. If a company is not showered with presentations by bankers, "you've got to do your own bird dogging," said Robert B. Whittridge, treasurer of the Savin Corp., Stamford, Conn.

Of course, some companies don't need those tools as much as others.

"Many clients who did a lot of borrowing earlier in the year are able to sit back right now and be very opportunistic in this market," said Alan D. Schwartz, head of corporate finance at Bear, Stearns & Co., New York. "Other clients feel more pressure as they add commercial paper while the cost of borrowing goes up."

Although investment and commercial bankers have plenty of interest-rate management tools at their disposal, they freely acknowledge they can't turn a bear into a bull.

"If we're lucky, when rates go up 200 basis points we'll be able to save them 20 basis points on the new rate," Mr. Schwartz said.

"There's no such thing as money for nothing," said Michael S. Rulle, managing director at Shearson Lehman Brothers Inc., New York.

While strategies involving interest rate swaps and caps are complex, others, like issuing convertible debt to control interest expense, are relatively straightforward.

The simplest strategy of all — doing nothing — also is an option for corporate financial officers. But sitting on the sidelines for too long carries its own risks in a bearish bond market.

"If you don't react in advance and you wait until it (rates go up) happens, then you're obviously behind the pack," said Richard J. Clout, vice president in charge of worldwide borrowings at General Motors Acceptance Corp., Detroit. Because GMAC expected rates would rise during the summer, it substantially satisfied its 1987 funding requirements by the end of July, Mr. Clout said.

But sitting on the sidelines has emerged as the favored strategy among many issuers, according to Salomon Brothers Inc. Weekly Credit Monitor data on debt issuance volume.

While the monthly average of corporate bond issuance in 1986 was $14.1 billion, the monthly average for the first nine months of 1987 was $12.1 billion. Domestic corporate bond issuance in September, August and July was $8.7 billion, $7.9 billion and $12.9 billion, respectively.

Corporate issuers had good reason to slow their pace. The average yield of new corporate debt issues was 8.89% in February 1987, but 11.038% in September, according to data supplied by IDD Information Services Inc., New York. That figure, which excludes mortgage- and asset-backed securities, stood at 11.362% through Oct. 9.

**30-year Treasury bond average yield to maturity***

| Period | Yield % |
|---|---|
| Jan. 15 | 7.64 |
| Jan. 30 | 7.64 |
| Feb. 13 | 7.76 |
| Feb. 27 | 7.64 |
| March 16 | 7.64 |
| March 30 | 8.01 |
| April 15 | 8.39 |
| April 30 | 8.38 |
| May 15 | 9.01 |
| May 29 | 8.64 |
| June 15 | 8.51 |
| June 30 | 8.51 |
| July 15 | 8.64 |
| July 31 | 8.89 |
| August 14 | 8.76 |
| August 31 | 9.14 |
| Sept. 15 | 9.64 |
| Sept. 30 | 9.76 |

* Yield at middle and end of month, January through September 1987
Source: Shearson Lehman Brothers Inc., New York

Rates at these levels are stalling the push toward balance sheet restructuring that gained impetus as rates fell during the middle 1980s.

While the monthly average volume of straight debt calls in 1986 was $3.4 billion, the figure for the first nine months of the year was $2.9 billion, according to the Oct. 5 issue of Financing and Market Perspectives, a Merrill Lynch Capital Markets publication. The volume of straight debt calls stood at $836 million in September, $2.1 billion in August and $2.5 billion in July.

"The drop in calls of high-coupon debt and increasing rates on new borrowings are driving interest payments up again," the publication noted Sept. 21.

Almost $27 billion of outstanding bonds with coupons of at least 12% were callable in the beginning of October, said Robert A. Schwartz, a senior financial economist at Merrill Lynch.

The decline in call volume is likely a temporary development, he said: "I think there is a sense of urgency on the part of corporations to refund these issues before rates get out of hand."

As rates escalate, an increasing number of corporate financial executives reach the "give up" stage, according to a debt syndicate official at Bear, Stearns who asked to remain unidentified.

"Some treasurers have come to the point, now that the market has backed up 250 basis points, that they are going to issue now because rates are going higher."

Current rates should be considered in an historical context, said Robert G. Scott, a managing director at Morgan Stanley & Co. Inc., New York.

Although the 30-year Treasury is nearly 10%, that security had a 15.5% yield in 1981, Mr. Scott said, noting current rates may seem worse then they actually are.

Intermediate-term fixed-rate debt is clearly preferable to the lower-coupon floating-rate debt available through commercial paper, Mr. Scott said: "I believe that over the next 24 months, floating-rate debt will average out to be more expensive than fixed-rate debt."

Although fixed-rate debt is now relatively expensive, some relief can be found.

Convertible debt, for example, is a good option for some issuers, said Gerry McGrath, a managing director at Prudential-Bache Securities Inc., New York. "For those people who have to finance and whose stock price is at or near all-time highs, and if they want to raise a good sum of money, the convertible market is quite attractive."

Shearson's "Treasury lock" insulates issuers from rising rates if there is a delay in making an offering, said Mr. Rulle, a managing director at the firm. Although the product protects issuers from an upward move in rates, it penalizes them if Treasury rates move below the target coupon.

Puts can shave basis points off a debt issue, but the strategy can backfire if investors exercise this option, said Mr. Schwartz of Bear, Stearns. Exercise of the put option defeats the issuers plan to lock up a cost of funds at a favorable fixed rate.

Liabilities denominated in Australian or New Zealand currency as well as debt issues attached to currency or commodity warrants also can lower the cost of financing, said Mr. Rulle. Issuers display a greater interest in these products when rates escalate, he said. ■